(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce . . .

STATEMENT OF THE CASE

This case involves the timely and important question of whether covert use of trademarks by advertisers on the Internet constitutes "use in commerce" under the federal act that governs trademarks, the Lanham Act, 15 U.S.C. § 1051 *et seq.* Answering this question will address the split in authority among the Circuit Courts of Appeal on whether covert use of marks is actionable under the Lanham Act. Absent a determination that such use qualifies as "use in commerce," trademark owners cannot clear an initial hurdle for enforcement of their marks and are left with no remedy or recourse against "adware" companies that use the marks of others to generate ads. Left unchecked, the Second Circuit's ruling that such entities do not "use in commerce" trademarks when they incorporate them into software used to deliver ads or when they use them to deliver ads will have critical consequences for the enforcement of trademark rights on the Internet and with regard to the development of trademark law.

A. Background on Adware and Pop-Ups

Adware is a type of software that generates advertisements while a consumer browses the Internet. Often, this software is a type of "spyware" that monitors an Internet user's behavior to "trigger" ads based on the user's browsing

activity. This software is typically bundled with other types of software that a user may download for free, like screensavers. The adware generates pop-up ads that "pop up" or appear over or on top of and partially obscure a website that a user is viewing, as shown in the example at Exhibit 1.

Adware companies deliver pop-up ads based on real-time Internet browsing activity because generation of such "contextually relevant" advertising is thought to be more effective than traditional online advertising that is generated randomly. This type of targeted advertising is an extremely lucrative practice[1] and has become an established fixture of the Internet landscape.

Recognizing the tremendous drawing power of popular trademarks, adware companies like Respondent WhenU use the well-known marks of others, like the mark of Petitioner 1-800 Contacts, by incorporating them into their directory of terms used to trigger pop-ups for the trademark owners' competitors. Because there is established traffic associated with trademarks having a strong Internet presence, the addition of such trademarks to software used to generate pop-ups increases the value of the advertising capabilities offered by WhenU and other adware companies because they know such marks will attract Internet users. Thus, when a consumer who has wittingly or unwittingly downloaded WhenU's adware attempts to reach 1-800 Contacts' website as shown in the example immediately above, WhenU uses the goodwill and recognition associated with 1-800 Contacts' mark to deliver a competitor's pop-up ad to the consumer's computer screen just as that consumer accesses 1-800 Contacts' website.

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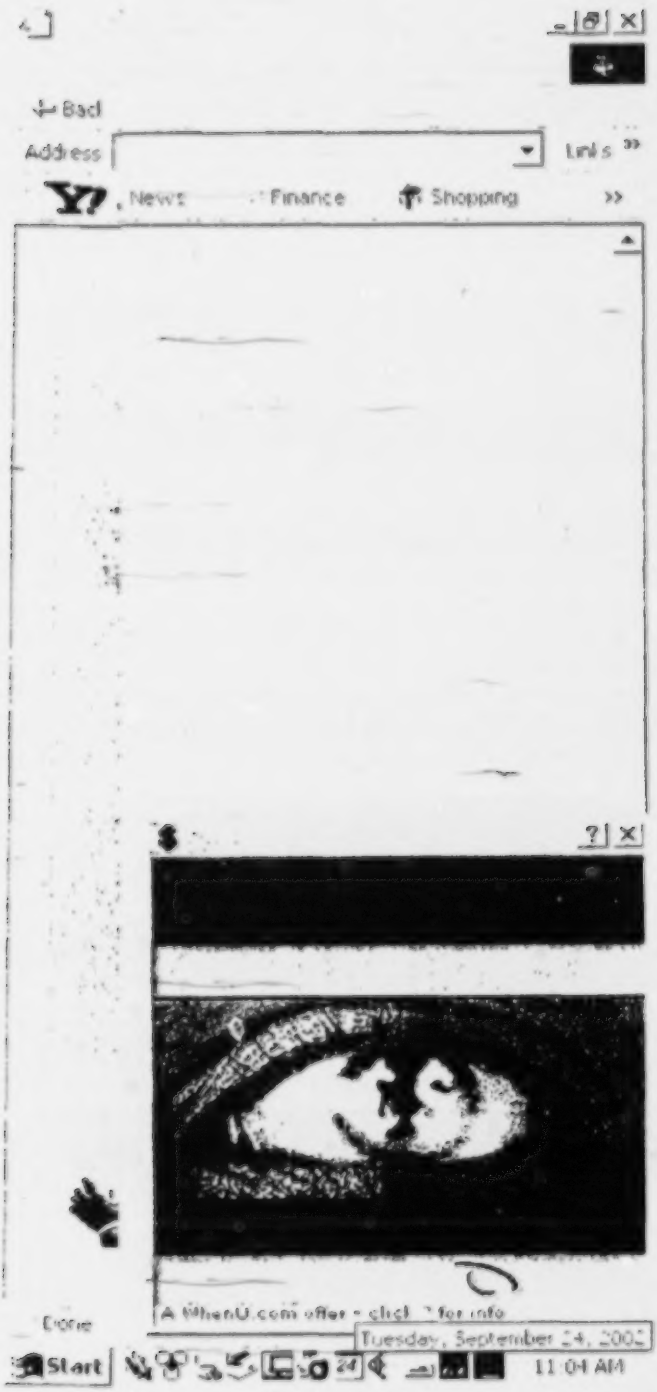
[1] Paul F. Roberts, The Many Faces of Spyware, *eWeek*, June 20, 2005 (noting adware is a $2 billion-a-year industry based on estimated fees generated by number of adware intallations).

EXHIBIT 1


Back
Address
Links
News
Finance
Shopping
Start
Tuesday, September 24, 2002
11:04 AM

This practice harms trademark owners because WhenU effectively misappropriates the goodwill and recognition inherent in popular trademarks, eroding their value and diverting sales. Likewise, this practice harms consumers who may automatically assume that the pop-up ads are generated directly by the website owner on which the pop-up appears or that there is some type of affiliation or sponsorship between the entity appearing in the pop-up and the website owner.

B. Goal of the Lanham Act

Trademark law serves the dual purpose of safeguarding consumers from confusion and protecting trademark owners from unfair competition. *See*, 15 U.S.C. § 1127, which provides that the intent of the Lanham Act is to "regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce" and "to protect persons engaged in such commerce against unfair competition."

Likewise, trademarks promote competition and accountability for the quality of products and services. *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 193 (1985). As noted by this Court, "trademark infringement inhibits competition and subverts both goals of the Lanham Act" with "the infringer depriv[ing] the owner of the goodwill which he spent energy, time and money to obtain" while "depriv[ing] consumers of their ability to distinguish among the goods of competing manufacturers." *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 855 n.14 (1982) (citations omitted).

Both Sections 32 (infringement of registered marks) and 43(a) (infringement of unregistered marks) of the Lanham Act provide that a defendant must "use in commerce" the plaintiff's mark for infringement to occur. Under the Lanham Act, a mark is used in commerce on services "when it is used or displayed in the sale or advertising of services and the services are rendered in commerce. . ." 15 U.S.C. § 1127.

The Commerce Clause of the U.S. Constitution provides that Congress has the power to "regulate Commerce . . . among the several States" and grants Congress the power to protect and regulate trademarks. U.S. Const. art. I, 8, cl. 3. The Lanham Act, was enacted to "regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce." 15 U.S.C. § 1127. Further, this Court has noted that the commerce scope of the Lanham Act has a "sweeping reach." *Steele v. Bulova Watch Co.*, 344 U.S. 280, 287 (1952). In keeping with this pronouncement, courts have long recognized that the Lanham Act should be construed broadly to cover activities that were not envisioned at the time it was enacted (*e.g.*, infringement involving new media like the Internet, which did not then exist). As noted by the Seventh Circuit, with the enactment of the Lanham Act, "it is clear that Congress intended to create a self-contained statutory device to deal with all kinds of trademark infringement and unfair competition." *NuPulse, Inc. v. Schlueter Co.*, 853 F.2d 545, 549 (7th Cir. 1988).

Resolution of the question presented will determine whether the covert use of third-party marks by pop-up advertising companies is actionable under the Lanham Act or whether such companies are free to use the marks of others for their drawing power with impunity. In a wild and rapidly evolving Internet landscape filled with adware, spyware, and other revenue-generating advertising schemes, answering the question presented will determine effectively whether trademark owners have a remedy against those who covertly use their marks to sell and generate advertising for the trademark owners' competitors on the Internet. By refusing to acknowledge that use of third-party trademarks by pop-up advertising companies can constitute "use" under the Lanham Act, the Second Circuit has cut off a remedy for trademark owners injured by this practice, even where consumers are actually confused. If the use by pop-up advertising companies of the

marks of others to generate pop-ups (and revenue for themselves) can never constitute use, then trademark owners have no recourse and are denied the opportunity to establish whether such use gives rise to a likelihood of confusion. As noted by a leading trademark commentator:

> [w]here keyword placement of banner advertising is being sold, the portals and search engines are taking advantage of the drawing power and goodwill of these famous marks. The question is whether this activity is fair competition or whether it is a form of unfair free riding on the fame of well-known marks.

4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 25:70.1 at p. 25-171 (4th ed. 2005).

If trademark owners cannot get past the threshold of demonstrating "use," they are effectively estopped from having a court ascertain whether the complained-of activity amounts to "unfair free riding" as referenced above. Thus, if the covert use of marks by pop-up companies never rises to the level of "use in commerce" as determined by the Second Circuit, then the Lanham Act's goal of safeguarding trademark owners from misappropriation and shielding consumers from deception is not met.

C. Factual Background

Petitioner 1-800 Contacts sells replacement contact lenses on the Internet at its website located at www.1800contacts.com. Petitioner also markets and sells its products over the phone through its toll-free number, 1-800 CONTACTS, and through mail order. Petitioner owns two federal registrations for its marks: one for the word mark 1800CONTACTS and the other for the same mark in color incorporated in a box design. Petitioner has expended millions of dollars annually to promote its marks and obtains a significant portion of its sales through the Internet.

Respondent WhenU is an adware company that generates pop-up ads on the Internet via its downloadable "SaveNow" software. The SaveNow software is usually "bundled" with other free software that a computer user may download, like free screensavers. The SaveNow software monitors the user's Internet activity and delivers advertising that it perceives to be relevant to the user's activities. WhenU delivers the contextually relevant advertising by relying on the SaveNow's directory of terms, which includes website addresses,[2] search terms and keyword algorithms. Once the software recognizes a term included in the directory, it generates a pop-up ad that corresponds to the product or service for which the user is searching. Thus, the pop-up is delivered to the user's screen at about the same time as the user accesses the desired website.

The pop-up ads may appear in the lower right-hand corner of the trademark owner's website, as shown at Exhibit 1 or panoramically at the bottom of the screen. Alternatively, larger "pop-under" ads may appear underneath the website, viewable once the accessed trademark owner's website is closed. At the time the lawsuit was filed, the pop-up ads included a dollar sign and the terms "Save Now!" at the top of the pop-up and the statement "A WhenU offer—click ? for info"[3] at the bottom of the pop-up.

WhenU sells its advertising opportunities to companies by "category" of goods or services, which means that the pop-ups

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[2] The website address is also known as the Uniform Resource Locator, or URL. The URL represents the location of a webpage such that if it were entered into the web browser, it would bring up that webpage. Pet. App. 30a.

[3] After the lawsuit was filed, WhenU replaced this text with the following statement: "This is a WhenU offer and is not sponsored or displayed by the websites you are visiting. More. . ." The district court considered the disclaimer as it was at the time of filing. Pet. App. 83a, n.55.

will be generated when WhenU detects the computer user's Internet activity in one of those categories. The advertisers pay WhenU for this advertising when WhenU delivers pop-ups to the user's screens, based on the number of consumers who click on the pop-ups, or based on the number of sales generated from the pop-up ads delivered to the users' computers.

Vision Direct, Inc. ("Vision Direct") is a competitor of 1-800 Contacts and a paid advertiser of WhenU. In addition to registering the "typosquatted" domain name "www1800 contacts.com" (with no period between the introductory "www" and the "www" constituting part of the domain name),[4] Vision Direct contracted with WhenU for advertising purposes. Because WhenU included the URL www.1800 contacts.com in its software's directory of terms used to trigger pop-up ads, WhenU would generate pop-up ads for 1-800 Contacts' competitor Vision Direct when consumers attempted to reach 1-800 Contacts' website.

D. Proceedings Below

1. The District Court Proceeding

1-800 Contacts sued WhenU and Vision Direct in the U.S. District Court for the Southern District of New York and filed a motion seeking preliminary injunctive relief to enjoin the appearance of pop-ups when the 1-800 Contacts' website is accessed by consumers.[5] 1-800 Contacts asserted harm under

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[4] A typosquatted domain name contains a common misspelling or typographical error. *See, Shields v. Zuccarini*, 254 F.3d 476, 483 (3d Cir. 2001). In this case, the error would be the accidental deletion of the "period" between the letters "www" and the remaining "1800contacts.com" portion of the domain name such that consumers intending to reach 1-800 Contacts' website at www.1800contacts.com, would be unwittingly shunted to a website offered by Vision Direct at www.www1800contacts.com.

[5] The District Court had subject matter jurisdiction under 15 U.S.C. § 1121, 28 U.S.C. § 1331, and 28 U.S.C. § 1338.

a number of causes of action, including trademark infringement, unfair competition, copyright infringement, cybersquatting, dilution, and tortious interference with prospective economic advantage. The district court noted that 1-800 Contacts had the burden of establishing (1) ownership of a valid mark and (2) that defendants' use of the mark is likely to cause confusion. Pet. App. 54a.

The district court denied 1-800 Contacts' motion for a preliminary injunction on its copyright claims, but granted its motion on the cybersquatting claims and on the trademark infringement claims.[6] *Id.* at 94a-95a. Vision Direct was ordered to cancel the typosquatted "www1800contacts.com" domain name and WhenU and Vision Direct were enjoined from using 1-800 Contacts' mark and confusingly similar terms in WhenU's ad trigger directory and from causing pop-up ads to appear when consumers type 1-800 Contacts' mark into the browser or a search engine. *Id.*

Although WhenU argued that it could not be liable for trademark infringement under 15 U.S.C. § 1114 or unfair competition under 15 U.S.C. § 1125(a) because its use of 1-800 Contacts' mark did not constitute "use" under the Lanham Act, the district court found otherwise. The district court specifically highlighted the language of Section 1127, which provides that a mark is "used in commerce" when it "is used or displayed in the sale or advertising of services and the services are rendered in commerce . . .". 15 U.S.C. § 1127.

Specifically, the district court found that WhenU and Vision Direct used 1-800 Contacts' mark "in the advertising of" Vision Direct's services by causing Vision Direct's competing ad to pop up when computer users attempted to access 1-800 Contacts' website on which its mark appears

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[6] Because the other claims would not grant additional relief than that available under the trademark infringement and cybersquatting claims, the district court did not consider them. Pet. App. 92a.

and also by using the 1-800 Contacts' mark in WhenU's directory to deliver pop-up ads for 1-800 Contacts' competitors. Pet. App. 55a-56a. Thus, the district court determined that by using a version of 1-800 Contacts' mark to trigger competitors' ads, WhenU was using 1-800 Contacts' marks "to advertise and publicize companies that are in direct competition with" 1-800 Contacts. *Id.* Further, the district court emphasized that the focus of the "use in commerce" analysis is not whether 1-800 Contacts sufficiently used its mark to establish trademark rights therein, but whether defendants were "using" its mark. *Id.* at 56a-57a.

In finding actionable use under the Lanham Act, the district court then moved to the next step of the infringement analysis, applying the Second Circuit's eight-factor likelihood of confusion test. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d. 492 (2d. Cir. 1961). Following a four-day evidentiary hearing, the district court determined that defendants' use of 1-800 Contacts' mark was likely to cause both source and initial interest confusion,[7] making a preliminary injunction appropriate. Pet. App. 84a. The preliminary injunction was thus granted on the basis that it would prevent the defendants from usurping 1-800 Contacts' reputation and goodwill, while eliminating the chances that consumers would be confused or be lured from 1-800 Contacts' website to the competitor's website. *Id.* at 93a-94a.

2. The Second Circuit Proceeding

Both WhenU and Vision Direct appealed the district court's grant of the preliminary injunction,[8] although claims

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[7] Initial interest confusion, as opposed to source confusion, occurs when an infringer uses the mark of another to "capture initial consumer attention," and may constitute infringement even if the consumer does not actually complete a sale. *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036, 1062 (9th Cir. 1999).

[8] The jurisdiction of the Second Circuit was based on 28 U.S.C. § 1292(a)(1).

against Vision Direct were dismissed by stipulation. Pet. App. 3a, n.6. Specifically, WhenU claimed that the district court erred in finding that it "used" 1-800 Contacts' mark under the Lanham Act. In the alternative, it challenged the district court's finding that the pop-ups generated by WhenU constituted a likelihood of source and initial interest confusion. *Id.* at 9a.

On appeal, the Second Circuit recognized that WhenU's use of 1-800 Contacts' website address in its proprietary directory of ad-trigger terms was "almost identical" to 1-800 Contacts' trademark and that WhenU causes pop-ups to appear on a computer user's screen "either above, below, or along the bottom edge" of 1-800 Contacts' website. *Id.* at 3a. Nonetheless, the Second Circuit held, as a matter of law, that WhenU's use of 1-800 Contact's mark did not amount to "use" under the Lanham Act because the mark was not overtly displayed, meaning WhenU could not be held liable for claims of trademark infringement. *Id.* As a result, the Second Circuit did not address the likelihood of confusion issue. *Id.* at 9a.

First, the Second Circuit focused on the use of 1-800 Contact's mark in the WhenU's ad-trigger directory. In refusing to find "use" under the Lanham Act, the Second Circuit highlighted that the 1-800 Contacts mark is not "placed" on any goods or services in an attempt to pass them off as coming from or authorized by 1-800 Contacts. *Id.* at 13a-14a. The Second Circuit further ignored established caselaw,[9] stating that 1-800 Contact's mark is not "repro-

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[9] The Second Circuit came to this determination even though consumers typically ignore the ".com" and the "www" and look instead to the second level domain for source identification. *See, Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1327 (9th Cir. 1998) (noting that a domain name is more than a mere "address" as it may designate origin). Further, courts have consistently determined that marks and the domain names

duced" or "displayed" because WhenU merely reproduces the *website address* and not the actual mark, even though that address is "identical" to 1-800 Contacts' mark. *Id.* at 14a. In this regard, the Second Circuit determined that the website address WhenU used in its directory was *identical* to 1-800 Contacts' mark, but that the presence of the "www" and ".com" transforms 1-800 Contacts' mark into a "public key" to 1-800 Contacts' website, meaning that WhenU does not actually use 1-800 Contacts' *trademark*. *Id.*

Further, the Second Circuit was reluctant to find "use" of the mark because WhenU did not show the contents of its proprietary directory when promoting its advertising opportunities. The Second Circuit made this determination even though WhenU generates revenue from selling ad space and even though the advertising opportunities are worth more based on the presence of the well-known marks within WhenU's ad-triggering directory. Notwithstanding that 1-800 Contacts' mark is part of a "package" of terms that WhenU sells in its category-based system, the Second Circuit deemed this use as purely an "internal" use within WhenU and thus the inclusion of the website address in the ad-trigger directory could not constitute a violation of the Lanham Act. *Id.* at 14a-15a.

Second, the Second Circuit found that the use of the mark to actually generate the pop-up ads also did not constitute use because the ads themselves do not display the 1-800 Contacts mark; the pop-ups appear in a separate window branded with a dollar sign, the exhortation "Save Now!" and the WhenU mark; and the pop-ups have no effect on the appearance or functionality of 1-800 Contacts' website (even though given the two-dimensional nature of the computer screen, the pop-up ads technically do obscure a portion of the website the

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incorporating them are "essentially identical." *See Brookfield*, 174 F.3d at 1055 and cases cited therein.

computer user is visiting). The Second Circuit noted that the competitor's pop-up would appear along with the accessing of the trademark owner's website, but that such appearance is akin to "product placement" in a brick-and-mortar retail environment. *Id.* at 18a.

Finally, although the Second Circuit noted that other "non-traditional" uses of marks in the Internet context (like keywords for generating banner ads and metatags hidden in website source code) can rise to the level of "use in commerce" under the Lanham Act, it explained those cases away by stating that WhenU's activity is not the same as the activity found to equal "use" in those cases. *Id.* at 19a.

Finding no use with regard to the directory of ad-trigger terms or the generation of pop-ups, the Second Circuit reversed the entry of the preliminary injunction and dismissed with prejudice the trademark claims against WhenU. *Id.* at 22a.

REASONS FOR GRANTING THE PETITION

This case presents a crucial question of federal law; one on which the circuits are in conflict, and on which this Court should provide guidance: How should "use" under the Lanham Act be construed when a trademark is used covertly? Whereas at least the Seventh and Ninth Circuits have determined that covert use of marks qualifies as "use in commerce" actionable under the Lanham Act, the Second Circuit has departed from this determination, effectively deciding that covert use of a mark in an Internet context forecloses liability. *See, e.g., Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020 (9th Cir. 2004); *Brookfield Communications, Inc. v. West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999); *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808 (7th Cir. 2002). Covert use of marks on the Internet is merely an extension to a new medium of the long-standing problem of using another's mark as an attention-getting feature to divert consumer interest and/or to

imply affiliation with the trademark owner. *See, e.g., Pic Design Corp. v. Bearings Specialty Co.*, 436 F.2d 804 (1st Cir. 1971); *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947 (7th Cir. 1992); *Singer Mfg. Co. v. Golden*, 171 F.2d 266 (7th Cir. 1948); *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250 (9th Cir. 1982); *Thompson v. Haynes*, 305 F.3d 1369 (Fed. Cir. 2002). The Second Circuit's determination then is a departure from established principles regarding infringement resulting from covert use of marks. Because the Second Circuit's decision effectively denies a remedy to trademark owners under the Lanham Act, it undermines the very purpose of that act to protect consumers from confusion and trademark owners from unfair competition.

Notwithstanding the wide ambit of the Lanham Act and the act's own specification that a mark is "used in commerce" in connection with services "when it is **used** or displayed in the sale or advertising of services and the services are rendered in commerce" (emphasis added), 15 U.S.C. § 1127, the Second Circuit found WhenU's covert use of 1-800 Contacts' mark not to constitute "use" as a matter of law and dismissed 1-800 Contacts' federal trademark claims. It came to this conclusion even though this Court has determined that the reach of the use in commerce provision is "sweeping," *Steele*, 344 U.S. at 287, and even though other circuit courts have construed the "use in commerce" requirement flexibly to address non-traditional trademark infringement and unfair competition scenarios, particularly those involving the covert use of another party's mark on the Internet. As set forth in greater detail below, the Second Circuit's determination in this regard is directly in conflict with other circuits, including the Seventh and Ninth Circuits, which have concluded that use of a mark that is not displayed or visible still can constitute "use" under the Lanham Act.

Although the Lanham Act was enacted well before the advent of the Internet, it has been construed flexibly to

protect the rights of trademark owners while simultaneously protecting consumers from being confused or deceived. Other courts have determined that usage of marks in these newer contexts on the Internet, whether as domain names, as metatags, or even as ad triggers, as is the case here, can rise to the level of "use" under the Lanham Act. Further, even though contextually relevant advertising is a "new" type of advertising, it mimics the age-old scheme through which well-known competitors appropriate the reputation and goodwill of the market innovator and leader, with the twist that a "middleman" adware company selling the advertising space also capitalizes on the goodwill and recognition of these marks. In short, WhenU "uses" 1-800 Contacts' mark and the well-known marks of others in exploiting the drawing power of those marks both for its benefit and the benefit of those who advertise with it.

Aside from the split in authority among the circuit courts on what constitutes actionable use of trademarks, review is necessary because this case presents an important federal question in that "use in commerce" is a threshold determination in any action under the Lanham Act and is thus a gateway to being able to enforce trademark rights. Consequently, even if there were no circuit conflict on this issue, review of the Second Circuit's decision would still be appropriate as its opinion both eliminates recourse for trademark owners under the Lanham Act and gives adware companies the right to siphon off the goodwill of popular marks without fear of reprisal. Answering the question presented will dictate the future of use of trademarks to generate advertising on the Internet and is thus extraordinarily important to the future of e-commerce.

Recognizing the importance of trademark cases, this Court has recently granted review with regard to trademark considerations. *See, e.g., KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 125 S.Ct. 542 (2004) (on fair use of trade-

marks); *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003) (on trademark dilution); *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003) (on reverse passing off); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001) (on trade dress protection); *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205 (2000) (on trade dress protection). As with those cases, the case at hand presents an important question of federal law and one with which there is conflict in the circuits.

The legal and practical significance of the important threshold question of "use" under the Lanham Act in the Internet context and the conflict between the circuits present sufficient grounds for this Court to grant review. Further, given the breakneck speed of development on the Internet and the likely proliferation of adware and spyware entities in light of the Second Circuit's benediction of WhenU's practices, it is imperative that review take place now. The Second Circuit's decision denies trademark owners recourse against the harm they are suffering in terms of lost revenue through WhenU's diversionary practices and against the harm consumers are suffering in terms of deception and confusion. Knowing they will be sheltered in the Second Circuit, new adware enterprises can locate there, freely profiting from the drawing power and renown of popular marks in establishing their adware businesses while evading liability. Likewise, the Second Circuit's decision will encourage additional enterprises to contract with adware companies like WhenU, which will further erode the drawing power of the misappropriated marks. Granting review will permit this Court to restore national uniformity regarding what constitutes "use" under the Lanham Act and will have the added benefit of discouraging forum shopping.

I. THE SECOND CIRCUIT'S DECISION CREATES A CONFLICT WITH OTHER CIRCUITS REGARDING COVERT USE OF TRADEMARKS.

The Second Circuit's decision creates a conflict with other circuits that have determined that a defendant's use of a mark, even if it is unseen by consumers, can still qualify as a "use in commerce" under the Lanham Act. As noted above, the Lanham Act has been broadly construed to encompass situations that step beyond the bounds of "traditional" infringement scenarios in which a defendant places the plaintiff's mark directly on the defendant's goods.

For example, the Lanham Act covers situations in which a mark is used by a defendant merely in advertising or peripheral materials as an "attention-getting symbol." *See, e.g., Sands, Taylor & Wood*, 978 F.2d at 954 (use of plaintiff's mark in commercial was infringing even though plaintiff's mark was not used directly on defendant's goods).

Likewise, the Lanham Act has been construed to apply to situations in which a product substitution occurs. Thus, the Seventh Circuit has determined that when a consumer requests a particular good and another good is substituted without disclosure, the consumer is misled to believe that his order was filled with the requested product. *See, Singer Mfg. Co. v. Golden*, 171 F.2d 266, 268 (7th Cir. 1948) (noting that substitutions made without disclosure is a fraud on the consumer and also on the trademark owner whose goods were ordered). Notably, liability can even be found in situations in which the plaintiff's mark is not mentioned during the substitution. Similarly, the First Circuit and Federal Circuit have determined that undisclosed substitutions are actionable. *See, Pic Design Corp. v. Bearings Specialty Co.*, 436 F.2d 804, 806 (1st Cir. 1971) (noting that the filling of orders in plain wrappers with plaintiff's catalog numbers constituted infringement); *Thompson v. Haynes*, 305 F.3d 1369, 1384 (Fed. Cir. 2002) (noting that even though defendant did not

use plaintiff's mark, its undisclosed substitution of product was deceptive and violated the Lanham Act). The Ninth Circuit has made the same determination stating that a dining establishment that provides a Pepsi product in response to a consumer request for Coke is liable for trademark infringement if the substitution is not identified. *Coca-Cola Co. v. Overland, Inc.*, 692 F.2d 1250 (9th Cir. 1982). Liability can be found even if the requested brand is not displayed or mentioned during the substitution. In such a case, the mark clearly is not being used to identify the defendant's goods or services. Instead, it is the **implied** connection between the requested product and substituted product that deceives consumers with regard to source. Moreover, the presence of signs or disclosures noting that the substituted product is the only beverage served is not sufficient to dispel confusion. *Id.* at 1253-54.

In this same vein, the Lanham Act has been flexibly construed to apply to situations on the Internet, even when the infringed mark is not visible to consumers. *See, e.g., Playboy*, 354 F.3d 1020; *Brookfield*, 174 F.3d 1036; *Promatek*, 300 F.3d 808. Applying the Lanham Act to the Internet is simply an extension of established principles to a new medium.

Notwithstanding that other circuit courts have found liability with regard to use of marks in non-traditional contexts, the Second Circuit found that WhenU did not "use" 1-800 Contacts' mark and dismissed its Lanham Act claims, effectively denying it recourse for the alleged infringement.

The Second Circuit's conclusion of no "use" is diametrically opposed to the decisions of the Ninth Circuit and other circuits. *See, e.g., Playboy*, 354 F.3d 1020. The *Playboy* case involved the generation of banner advertisements (which are similar to pop-ups) on a search engine page via categories of words that included the plaintiff's trademarks. The Ninth Circuit determined that the search engines were

using the plaintiff's marks in a way that could give rise to "initial interest confusion." *Id.* at 1025-26. Just as WhenU did in the present case, the search engines "keyed" or linked lists of terms to advertisements. Thus adult-entertainment companies contracting with the search engines could have their banner ads appear on search engine pages when consumers would type in a word appearing on the ad-trigger list. *Id.* at 1023. As a result, when consumers would type in the plaintiff's PLAYBOY or PLAYMATE marks, a banner ad for a Playboy competitor would be displayed on the search results page. *Id.* The Ninth Circuit determined that there was "no dispute" that the search engines' practice of keying and triggering the banners constituted use of the plaintiff's marks in commerce. *Id.* at 1024. According to the Ninth Circuit, computer users would have reached the site posted in the banner ad precisely because of the search engines' "use" of Playboy's marks and that such use was "actionable." *Id.* at 1026. Thus, in the Ninth Circuit, an assembled lists of words organized by category and used to generate ads is sufficient to constitute "use," despite not being visible to the public. In short, the Ninth Circuit found that there could be liability for infringement based on the same conduct at issue in the present case.

Likewise, in *Brookfield*, the Ninth Circuit had an expansive view of "use" with regard to marks that are not seen by consumers. In that case, the defendant movie rental company was using the plaintiff's mark in metatags[10] in the code of defendant's website. *Brookfield*, 174 F.3d at 1061. The metatags were not viewable to consumers, but could be detected by search engines to compile search results. The court determined that such use was intended to divert people looking for plaintiff to defendant's website and would thus result in initial interest confusion.

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[10] Metatags are terms hidden in the code of websites that are used by search engines to establish whether a website matches a search term entered by a computer user. *Brookfield*, 174 F.3d at 1045.

Further, like the Ninth Circuit, the Seventh Circuit has determined that covert use of marks in metatags is actionable, noting that use of a competitor's marks as metatags can constitute initial interest confusion, commenting that the defendant's use of its competitor's marks as metatags amounts to misappropriation of the trademark owner's goodwill. *See, e.g., Promatek*, 300 F.3d at 812-13; *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456 (7th Cir. 2000).

Although both at least the Seventh and Ninth Circuits recognize such covert uses of marks as "use in commerce" that is actionable under the Lanham Act, the Second Circuit determined that the "hidden" nature of WhenU's use of 1-800 Contacts' mark falls beyond the parameters of the Lanham Act. Thus, the Second Circuit's determination that "use" requires some type of "display" of the mark is in conflict with other circuits' scope of "use," which encompasses the covert use of marks, whether to trigger ads, to lure consumers to a competitor's website, or to engage in a non-disclosed substitution. Thus, under the current state of the law, trademark owners may be entitled to recovery under the Lanham Act in certain circuits, but may be effectively cut off from a remedy in other circuits on similar facts.

II. THIS CASE RAISES CRITICAL ISSUES REGARDING USE OF TRADEMARKS ON THE INTERNET.

Given the now-uncertain landscape of how trademarks may be used in Internet advertising and the Second Circuit's harsh result of leaving trademark owners with no remedy against covert uses of their marks by adware companies like WhenU, there is an urgent need for this Court to provide guidance on what constitutes "use" in this context. As noted by a leading trademark commentator:

> It is difficult to see why using a trademark to trigger a pop-up ad differs in kind from using a trademark to create initial interest confusion with banner ads and metatag

> misdirection. A competitor has used the mark-owner's goodwill to gain new customers. . . . *Trademarks are serving their quintessential function when customers type in a mark with the intent to purchase goods or services based on the goodwill of a well-known company* . . . . Admittedly, the competitor's "use" of the mark captures the customer's inquiry in a computer code rather than capturing a buyer's attention with a label or name. Nevertheless, this should not prevent the court from inquiring, at a minimum, whether the purchasers would mistakenly associate the ad with the owner of the website.

Gilson, *Trademark Protection and Practice*, § 7A.14 (2005) (emphasis added).

A. Other Uses Of Marks In An Internet Context Have Been Deemed Actionable Under The Lanham Act.

Courts throughout the nation have evaluated infringing uses of trademarks on the Internet, including situations in which use of domain names, metatags, and ad-generating keywords have all been determined to qualify as actionable under the Lanham Act. Thus, other circuits have broadly construed the scope of "use in commerce" to include situations in which a party uses a mark covertly to capitalize on the goodwill or recognition of a mark for competitive or economic reasons.

1. *Domain Names*

Some of the earliest Internet cases involved the registration of domain names that infringed the marks of others. Essentially, a domain name is used to identify a website and consist of two parts: a "top level domain" (e.g., ".com," ".edu," ".org") and a "secondary level domain," which is the remainder of the address. Pet. App. 29a, n.13. For example, in the "cocacola.com" domain name, "cocacola" is the secondary level domain and ".com" is the top level domain. To ensure that consumers can quickly find them on the Internet, compa-

nies often choose a domain name that matches their business name or main trademark.

In a case involving the PANAVISION mark, an individual registered the domain name "panavision.com" and offered to sell it to the Panavision company. *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998). Because the individual had registered the PANAVISION mark as a domain name precisely to capitalize on the recognition of the PANAVISION name and mark, the Ninth Circuit determined that his exploitation of the value of the mark rose to level of commercial use under the Lanham Act, notwithstanding that the defendant did not use it in connection with a particular product. *Id.* at 1325.

Likewise, in *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d. 359, 365 (4th Cir. 2001), the court determined that the defendant's registration and use of the domain name "peta.org" did not require that the defendant actually sell or advertise goods or services at the www.peta.org website. According to the court, that the defendant prevented others from reaching the actual organization's goods or services or that the website connecting to the domain name provided links to commercial enterprises was sufficient for the mark to have been used "in connection with" goods or services such that there was "no dispute" that the defendant used the mark in commerce. *Id.*

2. *Metatags*

Similarly, the covert use of trademarks in metatags has been considered "use" under the Lanham Act. As technology has developed, infringers have become more clandestine in their capitalization of the renown of popular marks, using metatags either to divert consumers to their websites or to improve their website rankings in search engine pages. *Brookfield*, 174 F.3d. at 1045. In the *Brookfield* case, for example, the Ninth Circuit determined that the defendant's

use of the plaintiff's mark as a metatag is barred by the Lanham Act and constitutes initial interest confusion.

The Seventh Circuit has expressed a similar view, noting that an herbal drug manufacturer's use of the term PROZAC as a metatag in its source code was evidently to divert consumers who were looking for information on the plaintiff's prescription drug. *Eli Lilly*, 233 F.3d 456. The Seventh Circuit reiterated that view more recently, noting that use of a metatag consisting of a competitor's mark is a Lanham Act violation. *See, e.g., Promatek*, 300 F.3d 808.

3. *Banner Generation Through Keyed Terms*

An even more recent use of trademarks on the Internet, which closely resembles the facts of the present case, concerns the use of certain terms consisting of trademarks to trigger the appearance of banner ads on search engine screens. As noted above, this was recently the case in the *Playboy* matter. In that case, the search engines Netscape and Excite linked lists of terms to banner ads that would appear on the search engine screen when computer users would type terms appearing on the list into the search engines. *Playboy*, 354 F.3d at 1023. The list of terms included sex-related terms, anatomical terms, and Playboy's PLAYBOY and PLAYMATE marks. *Id.* Because the banner ads were keyed to match Playboy's marks, banner ads for Playboy's competitors would be generated when consumers searched for these specific terms. *Id.*

Consumers clicking on the banner ads would be taken to the competitor's website. Playboy asserted that consumers were likely to be deceived with regard to sponsorship or affiliation given that the unlabeled banner ads were posted right after the computer users typed the marks into the search engine. *Id.* at 1025. The Ninth Circuit agreed, noting that such use is actionable because users reaching the competitors' sites would have gotten there through the search engines' use of Playboy's

marks, and that such conduct resulted in initial interest confusion as recognized under *Brookfield*. *Id.* at 1026.

Relevant to the "use in commerce" issue inherent in the present matter involving WhenU, the Ninth Circuit specifically noted that there was "no dispute" regarding the statutory elements of ownership and use under 15 U.S.C. § 1114 (infringement of registered trademarks) because "[Playboy] clearly holds the marks in question and defendants *used the marks in commerce* without [Playboy's] permission." *Id.* at 1024 (emphasis added) (footnote references omitted). In discussing "use," the Ninth Circuit highlighted that jurisdiction with regard to trademark cases emanates from the Commerce Clause, reaches as widely as possible, and "clearly encompasses the circumstances of this case." *Id.*, n.11. Taking into consideration the Ninth Circuit's statement that the search engines "had used the marks in commerce" and that it engaged in a full likelihood of confusion analysis, it is clear that the Ninth Circuit considered (in a case similar to the one at hand), that the search engines' use of the marks was sufficient "use" to be actionable under the Lanham Act, even though the plaintiff's marks were not "displayed" in the banner ads.

4. *Keywords and Sponsored Links*

Finally, although not yet addressed by any circuit court, a number of district courts have determined that yet another "new" use in the Internet context is sufficient to constitute "use in commerce" and thus be actionable under the Lanham Act. For example, in a case brought by the insurance company Geico against the search engines Google and Overture, the Eastern District of Virginia denied defendants' motion to dismiss on the basis that the search engines' conduct in using Geico's marks to sell Internet advertising and the keying of advertising to search terms was sufficient to constitute "use in commerce" under the Lanham Act. *Gov't Employees Ins. Co. v. Google, Inc.*, 330 F.Supp.2d 700, 704 (E.D. Va. 2004).

The court later found that although Google's actions rose to the level of "use in commerce," Geico had not presented sufficient evidence to show that Google's sale of Geico's trademarks as keywords to trigger ads for Geico's competitors on the search results page constituted trademark infringement. *Gov't Employees Ins. Co. v. Google, Inc.*, 2005 U.S. Dist. LEXIS 18642 *3-4 (E.D. Va. Aug. 8, 2005). The court did find, however, that where the "Sponsored Links" in the search engine page showed the GEICO mark in the headings or in the ad text, that such conduct resulted in a likelihood of confusion.

Further, in another case against Google, a district court denied a motion by Google to dismiss on the basis that the search engine's Sponsored Links triggered by trademarks satisfies the "use in commerce" requirement. *See Google Inc. v. American Blind & Wallpaper Factory, Inc.*, 2005 U.S. Dist. LEXIS 6228 (N.D. Cal. Mar. 30, 2005).

Although these are district court cases, these courts have been sensitive to the dual goals of the Lanham Act in protecting the goodwill of trademark owners and safeguarding consumers from confusion, even when a mark is used by an infringer covertly.

B. The Second Circuit's Decision Narrows "Use" Under the Lanham Act And Eradicates A Remedy For Trademark Owners.

WhenU's choice to include the website address in its ad-triggering software was not merely to identify 1-800 Contacts' location on the Internet, but to specifically capitalize on consumers' knowledge of and desire for 1-800 Contacts' products.[11] Even if WhenU does not technically use the mark

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[11] The Second Circuit stated that WhenU's use of 1-800 Contacts' mark is really as a website address, and not a mark, because it appeared in WhenU's ad-trigger directory with the letters "www" and ".com". Pet. App. 14a. In the Second Circuit's view, for WhenU to have benefited

alone (*i.e.*, without the "www" and the ".com"), the website address functions as a source identifier (identifying source of 1-800 Contacts' products) as consumers type it into their web browsers or a search engine screen specifically looking for 1-800 Contacts' goods and services. As noted above, "[t]rademarks are serving their quintessential function when customers type in a mark with the intent to purchase goods or services based on the goodwill of a well-known company." Gilson, *supra*. Like the physical-world cases in which an undisclosed product substitution can violate the Lanham Act even if the plaintiff's mark is not referenced, WhenU's use of 1-800 Contacts' mark is a form of misappropriation that simply occurs in another medium.

Because the Lanham Act specifically denotes that "use in commerce" of a mark occurs in connection with services when the mark "is **used** or displayed in the sale or advertising of services and the services are rendered in commerce" (emphasis added), 15 U.S.C. § 1127, actionable use can still occur within the parameters of the Lanham Act even if WhenU does not technically "display" 1-800 Contacts' mark in connection with its advertising scheme.

In disregarding the Lanham Act's own definition of "use in commerce" with regard to services, which includes "use" of a mark and not exclusively overt physical "display" of a mark, the Second Circuit narrowed the definition of "use." As discussed above, trademark infringement can occur, at least in the Seventh and Ninth Circuits, even in situations in which the defendant does not use the plaintiff's mark to identify the source of defendant's own product or services. *See, e.g.*,

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from the fame of 1-800 Contacts' mark, it would have had to include 1-800 Contacts' *actual trademark* in the directory. *Id.* at 14a-15a. The Second Circuit made this determination even though a website address may function as a mark, just as a telephone number or even a physical address may. *See, e.g., Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675, 678 (2d Cir. 1989); *Panavision*, 141 F.3d at 1327.

Singer, 171 F.2d 266; *Coca-Cola*, 692 F.2d 1250. Thus, contrary to the Second Circuit's determination, infringement may occur even if the defendant does not "place" or "display" the plaintiff's mark on the product or services or otherwise confirm that the plaintiff's mark is somehow involved in the transaction.

Likewise, consumers with the SaveNow software residing on their computers who receive a pop-up for a "substitute" lens replacement competitor when they request 1-800 Contacts' specific products by entering 1-800 Contacts' website into the web browser may be similarly deceived as to source, even if the pop-up is "branded."[12] Given that the pop-up appears just as the 1-800 Contacts website is accessed, the implied connection between the requested 1-800 Contacts services and those identified in the pop-up can deceive the consumer as to source. The consumer may believe that the pop-up has emanated directly from 1-800 Contacts or that 1-800 Contacts and the entity identified in the pop-up are affiliated.

In short, by focusing on "placing" the 1-800 Contacts mark on WhenU's products or "displaying" it in connection with advertising for same, the Second Circuit placed artificial restraints on the concept of "use," failing to take into consideration that covert types of "use" may fall within the parameters of the Lanham Act and thus be actionable. With such a narrow interpretation of "use," the Second Circuit prevents trademark owners whose goodwill is similarly usurped in such an advertising context from seeking recourse, even where consumers are actually confused.

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[12] "Branding" the pop-ups may affect the likelihood of confusion analysis, but has no bearing on whether WhenU's use of the marks in its directory or in the triggering of pop-ups constitutes "use." Notably, the branding in this case consists of a dollar sign ($) and the words "Save Now!," which can be viewed merely as an exhortation for the consumer to save money by clicking on the pop-up.

III. IMMEDIATE REVIEW IS URGENTLY NEEDED.

The Second Circuit's decision provides adware companies a roadmap for infringement with impunity, which is sure to add to the proliferation of adware and spyware companies who will be encouraged to relocate to the Second Circuit. Likewise, given the Second Circuit's departure from established principles of law in at least the Seventh and Ninth Circuits, parties will be encouraged to forum shop, enforcing their marks (or filing declaratory judgment actions) in the circuit that will provide the most favorable outcome to their position. Trademark owners will thus have an incentive to seek redress in the Seventh and Ninth Circuits where they will not be automatically denied recovery under the Lanham Act, whereas adware defendants will be encouraged to seek declaratory judgments in the Second Circuit, which evidently has stricter standards for proving "use" under the Lanham Act. Given the fractured state of the law and the opportunity to forum shop, it is of utmost urgency that this Court restore nationwide uniformity to trademark law by providing guidance on the proper framework for determining whether covert uses of trademarks falls within the ambit of the Lanham Act.

That 1-800 Contacts is requesting review of an interlocutory appeal should not persuade this Court that review is not appropriate at this time. As this Court has previously recognized, "there is no absolute bar to review of nonfinal judgments." *Mazurek v. Armstrong*, 520 U.S. 968, 975 (1997). Further, this Court has granted certiorari with regard to other interlocutory decisions.[13] Given that 1-800 Contacts' remaining claims are largely trademark-related claims, the Second Circuit's erroneous decision, if left undisturbed, may

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[13] See the following recent examples. *Gratz v. Bollinger*, 539 U.S. 244 (2003); *Breuer v. Jim's Concrete of Brevard, Inc.*, 538 U.S. 691 (2003); *Harris Trust And Sav. Bank v. Salomon Smith Barney, Inc.*, 530 U.S. 238 (2000).

adversely impact resolution of such claims. Moreover, given that reversal of the injunction by the Second Circuit is causing irreparable harm to 1-800 Contacts, the time for review is now. As a result, this case merits review by the Court at this critical juncture in the litigation.

Instead of automatically determining that use of third-party marks in ad-trigger directories for contextual advertising purposes does not constitute "use" (even if consumers are confused), the better approach appears to be that of the Seventh Circuit, the Ninth Circuit, and other circuits, which at least afford trademark owners the opportunity to prove whether the complained-of activity is causing harm. Contrary to established principles relating to covert use, the Second Circuit makes a determination that there can be no infringement in an ad-triggering context on the Internet simply because there is no "use" in commerce. The Second Circuit thus introduces a level of conflict and uncertainty regarding the acceptability of covert use of trademarks in Internet advertising, which should be reviewed by this Court.

CONCLUSION

Based on the foregoing, the Petition for Writ of Certiorari should be granted.

Respectfully submitted,

RALPH TERRANCE RADER *
RADER, FISHMAN &
GRAUER PLLC
39533 Woodward Avenue
Suite 140
Bloomfield Hills, Michigan 48304
(248) 594-0600

* Counsel of Record

Counsel for Petitioner

September 26, 2005

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Docket No. 04-0026(L)

1-800 CONTACTS, INC.,
Plaintiff-Appellee,

v.

WHENU.COM, INC. and VISION DIRECT, INC.,
Defendants-Appellants.

April 5, 2004, Argued
June 27, 2005, Decided

JUDGES: Before: WALKER, *Chief Judge*, and STRAUB, *Circuit Judge*.[1]

OPINION BY: David T. Walker

OPINION: JOHN M. WALKER, JR., *Chief Judge*:

Defendant-appellant WhenU.com, Inc. ("WhenU") is an internet marketing company that uses a proprietary software called "SaveNow" to monitor a computer user's internet activity in order to provide the computer user ("C-user") with advertising, in the form of "pop-up ads," that is relevant to that activity. Plaintiff-appellee 1-800 Contacts, Inc. ("1-800") is a distributor that sells contact lenses and related products

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[1] The Honorable Ellsworth Van Graafeiland, of the United States Court of Appeals for the Second Circuit, was part of this panel, but passed away following oral argument. The appeal is being decided by the remaining two members of the panel, who are in agreement. *See* 2d Cir. R. § 0.14(b).

by mail, telephone, and internet website. At the time 1-800 filed this action in the United States District Court for the Southern District of New York (Deborah A. Batts, District Judge), it owned a registered trademark in the service mark "WE DELIVER. YOU SAVE." and had filed applications with the United States Patent and Trademark Office on July 8, 1999, to register the service mark "1-800CONTACTS",[2] and on October 2, 2000, to register the service mark of "1-800CONTACTS" in a specific color-blocked design logo.[3]

1-800 filed a complaint alleging, inter alia,[4] that WhenU was infringing 1-800's trademarks, in violation of the Lanham Act, 15 U.S.C. §§ 1114(1), 1125(a)(1), by causing pop-up ads of 1-800's competitors to appear on a C-user's desktop when the C-user has accessed 1-800's website. In an Opinion entered January 7, 2004, the district court granted 1-800's motion for a preliminary injunction as it related to 1-800's trade-

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[2] 1-800 obtained registration for this service mark on January 21, 2003.

[1] This service mark was described as follows:

> Applicant claims the colors yellow, blue and white as part of the mark. The box behind the word CONTACTS is yellow. The border around the yellow box behind the word CONTACTS is blue. The box behind the term "800" is blue. The number one and the word CONTACTS are written in blue. The term "800" is written in white.

[4] In addition to the trademark claims, 1-800 asserts claims for (1) unfair competition, false designation of origin, trademark dilution, and cybersquatting, in violation of § 43 of the Lanham Act, 15 U.S.C. § 1125; (2) copyright infringement and contributory copyright infringement, in violation of the Federal Copyright Act, 17 U.S.C. §§ 101, et seq..; and (3) state law claims for trademark dilution and injury to business reputation, in violation of N.Y. Gen. Bus. L. § 360-l; and (4) common law claims for unfair competition and tortious interference with prospective economic advantage.

Several claims name Vision Direct, Inc., one of the 1-800 competitors whose advertisements were featured in WhenU's pop-up ads, as either defendant or co-defendant with WhenU.

mark claims,[5] and enjoined WhenU from using or otherwise displaying 1-800's trademarks, or anything confusingly similar to such trademarks, in connection with WhenU's contextually relevant advertising. *1-800 Contacts, Inc. v. WhenU.com*, 309 F. Supp. 2d 467 (S.D.N.Y. 2003) ("1-800-Contacts"). WhenU has filed this interlocutory appeal.[6]

We hold that, as a matter of law, WhenU does not "use" 1-800's trademarks within the meaning of the Lanham Act, 15 U.S.C. § 1127, when it (1) includes 1-800's website address, which is almost identical to 1-800's trademark, in an unpublished directory of terms that trigger delivery of WhenU's contextually relevant advertising to C-users; or (2) causes separate, branded pop-up ads to appear on a C-user's computer screen either above, below, or along the bottom edge of the 1-800 website window. Accordingly, we reverse the district court's entry of a preliminary injunction and remand with instructions to (1) dismiss with prejudice 1-800's trademark infringement claims against WhenU, and (2) proceed with 1-800's remaining claims.

BACKGROUND

I. The Internet and Windows

By way of introduction to this case we incorporate the district court's helpful tutorial on the internet and the Microsoft Windows operating environment as it pertains to this litigation:

> The Internet is a global network of millions of interconnected computers. . . . [A C-user] can access . . . in-

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[5] The district court denied part of 1-800's motion, which related to 1-800's copyright claims.

[6] Vision Direct, Inc., also appealed the district court's decision and was a party to this consolidated appeal. *See* Docket No. 04-0446(CON). Following oral argument, however, 1-800 and Vision Direct filed a stipulation of dismissal with respect to all of 1-800's claims against Vision Direct. Accordingly, we do not address those claims or Vision Direct's arguments on appeal. *Id.*

formation that is stored on the Internet in repositories called "servers." Much of the information stored in servers on the Internet can be viewed . . . in the form of "webpages," which are collections of pictures and information, retrieved from the Internet and assembled on the [C-user]'s computer screen. "Websites" are collection[s] of [related] webpages that are organized and linked together to allow a [C-user] to move from webpage to webpage easily. . . .

[A C-user] generally connects to the Internet using an internet service provider ("ISP") fn'0 . . ., which allows the [C-user]'s computer to communicate with the Internet. Once a connection to the Internet has been established . . . a [C-user] may "browse" or "surf" the Internet by using a software program called an Internet browser ("browser"). Microsoft Internet Explorer is one example of a browser program. fn11. . .

[FN.]10 Examples of ISPs include Earthlink, Verizon, NetZero, America Online.

[FN.]11 Other examples of browser programs include Netscape Navigator, Opera, and Mozilla; in addition, many residential ISPs like Earthlink and America Online provide their own proprietary browsers.

To retrieve information from the Internet, a [C-user] may type [a specific] address[, called a domain name,] fn13 of a website into the [address line of a] web browser . . . .

[FN.]13 . . . . Sporty's Farm L.L.C. v. Sportsman's Market, Inc., 202 F.3d 489, 492-93 (2d Cir. 2000) [providing detailed explanation of domain names].

. . . .

[Alternatively,] . . . a [C-user] can use [a "search engine"] to find information [by] . . . typ[ing] in a word or words describing what is sought, and the search engine

> will identify websites and webpages that contain those words.

1-800 Contacts, 309 F. Supp. 2d at 474-75 (internal citations and some footnotes omitted).

The district court further explained that

> many [C-users] access the Internet with computers that use the Microsoft Windows operating system ("Windows"). Windows allows a [C-user] to work in numerous software applications simultaneously. In Windows, the background screen is called the "desktop." When a software program is launched, a "window" appears on the desktop, within which the functions of that program are displayed and operate. A [C-user] may open multiple windows simultaneously, allowing the [C-user] to launch and use more than one software application at the same time. Individual windows may be moved around the desktop, and because the computer screen is two-dimensional, one window may obscure another window, thus appearing to be "in front of" another window.

Id. at 475 (internal citations omitted). Some programs on a C-user's computer, such as a calendar or e-mail application, may cause windows to open on the C-user's desktop independently of any contemporaneous action by the C-user. *See Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003); *see* generally *id.* at 740-43 (providing in-depth description of how software applications and web browsers operate in the Windows environment, and noting that Windows is currently used on approximately 95% of personal computers).

II. The Challenged Conduct

The specific conduct at issue in this case has been described in detail by the district court, *see 1-800 Contacts*, 309 F. Supp. 2d at 476-78, as well as other courts that have

addressed similar claims against WhenU, *see Wells Fargo*, 293 F. Supp. 2d at 738-40, 743-46; *U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 725-26 (E.D. Va. 2003). Accordingly, we recite only those facts relevant to this appeal.

WhenU provides a proprietary software called "SaveNow" without charge to individual C-users, usually as part of a bundle of software that the C-user voluntarily downloads from the internet. "Once installed, the SaveNow software requires no action by the [C-user] to activate its operations; instead, the SaveNow software responds to a [C-user]'s 'in-the-moment' activities by generating pop-up advertisement windows" that are relevant to those specific activities. *1-800 Contacts*, 309 F. Supp. 2d at 477. To deliver contextually relevant advertising to C-users, the SaveNow software employs an internal directory comprising "approximately 32,000 [website addresses] and [address] fragments, 29,000 search terms and 1,200 keyword algorithms," *Wells Fargo*, 293 F. Supp. 2d at 743 P 58, that correlate with particular consumer interests to screen the words a C-user types into a web browser or search engine or that appear within the internet sites a C-user visits.

When the SaveNow software recognizes a term, it randomly selects an advertisement from the corresponding product or service category to deliver to the C-user's computer screen at roughly the same time the website or search result sought by the C-user appears. As the district court explained,

> The SaveNow software generates at least three kinds of ads—an ad may be a small 'pop-up' . . . [that appears] in the bottom right-hand corner of a [C-user]'s screen; it may be a 'pop-under' advertisement that appears behind the webpage the [C-user] initially visited; or it may be a 'panoramic' ad[] that stretches across the bottom of the [C-user]'s computer screen.

1-800 Contacts, 309 F. Supp. 2d at 478. Each type of ad appears in a window that is separate from the particular website or search-results page the C-user has accessed. *Id.* In addition, a label stating "A WhenU Offer—click ? for info." appears in the window frame surrounding the ad, together with a button on the top right of the window frame marked "?" that, when clicked by the C-user, displays a new window containing information about WhenU and its ads,[7] as well as instructions for uninstalling the resident SaveNow software. *Id.* at 478 nn.22 & 23.

> Usually there is a "few-second" delay between the moment a user accesses a website, and the point at which a SaveNow pop-up advertisement appears on the [C-user]'s screen.
>
> If a SaveNow user who has accessed the 1-800 Contacts website and has received a WhenU.com pop-up advertisement does not want to view the advertisement or the advertiser's website, the user can click on the visible portion of the [1-800] window . . ., [which will move] the 1-800 Contacts website . . . to the front of the screen display, with the pop-up ad moving behind the website window. Or, . . . the [C-user] can close the pop-up website by clicking on its "X," or close, button. If the user clicks on the pop-up ad, the main browser window (containing the 1-800 Contacts website) will be navigated to

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[7] Specifically, C-users are informed that

> "this offer is brought to you by WhenU.com, through the SaveNow service. SaveNow alerts you to offers and services at the moment when they are most relevant to you. SaveNow does not collect any personal information or browsing history from its users. Your privacy is 100 percent protected. The offers shown to you by SaveNow are not affiliated with the site you are visiting. For more about SaveNow, click here or e-mail information at WhenU.com. At WhenU, we are committed to putting you in control of your Internet experience."

1-800 Contacts, 309 F. Supp. 2d at 478 n. 22.

> the website of the advertiser that was featured inside the pop-up advertisement.

Id. at 476-77 (internal citations omitted).

In its complaint, 1-800 alleges that WhenU's conduct infringes 1-800's trademarks, in violation of Sections 32(1) and 43(a) of the Lanham Act, 15 U.S.C. §§ 1114(1), 1125(a), by delivering advertisements of 1-800's competitors (e.g., Vision Direct, Inc.) to C-users who have intentionally accessed 1-800's website. Although somewhat difficult to discern from the complaint, the allegations that pertain specifically to 1-800's trademark claims appear to be as follows: (1) WhenU's pop-up ads appear "on," "over," or "on top of" the 1-800 website without 1-800's authorization, and change its appearance; (2) as a result, the ads impermissibly "appear to be an integral and fully authorized part of [1-800's] website"; (3) in addition, WhenU's unauthorized pop-up ads "interfere with and disrupt the carefully designed display of content" on the website, thereby altering and hindering a C-user's access to 1-800's website; (4) WhenU is thereby "free-riding" and "trad[ing] upon the goodwill and substantial customer recognition associated with the 1-800 Contacts marks"; and (5) WhenU is using 1-800's trademarks in a manner that creates a likelihood of confusion.

Following an evidentiary hearing on 1-800's motion for a preliminary injunction, the district court held that 1-800 had demonstrated a likelihood of success on its trademark infringement claims and issued a preliminary injunction prohibiting WhenU from utilizing 1-800's trademarks.[8] *1-800 Con-*

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[8] The district court's order stated, in relevant part:

> [WhenU is] preliminarily enjoined from: 1) including the 1-800 Contacts mark, and confusingly similar terms, as elements in the SaveNow software directory, and 2) displaying Plaintiff's mark "in the . . . advertising of" Defendant Vision Direct's services, by causing Defendant Vision Direct's pop-up advertisements to appear when a computer user has made a specific choice to access or find

tacts, 309 F. Supp. 2d at 510. WhenU appeals the district court's decision.

DISCUSSION

WhenU challenges the district court's finding that WhenU "uses" 1-800's trademarks within the meaning of the Lanham Act, 15 U.S.C. § 1127. *See 1-800 Contacts*, 309 F. Supp. 2d at 489. In the alternative, WhenU argues that the district court erred in finding that WhenU's pop-up ads create a likelihood of both source confusion and "initial interest confusion," as to whether WhenU is "somehow associated with [1-800] or that [1-800] has consented to [WhenU's] use of the pop-up ad[s]." *Id.* at 494; *see id.* at 503-04. Because we agree with WhenU that it does not "use" 1-800's trademarks, we need not and do not address the issue of likelihood of confusion.

I. Legal Standards

A. Preliminary Injunction

To obtain a preliminary injunction,

> a party . . . must demonstrate (1) the likelihood of irreparable injury in the absence of such an injunction, and (2) either (a) likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation plus a balance of hardships tipping decidedly toward the party requesting the preliminary relief.

Fed. Express Corp. v. Fed. Espresso, Inc., 201 F.3d 168, 173 (2d Cir. 2000). We review a district court's grant of a preliminary injunction for abuse of discretion. *S.C. Johnson & Son, Inc. v. Clorox Co.*, 241 F.3d 232, 237 (2d Cir. 2001).

Plaintiff's website by typing Plaintiff's mark into the URL bar of a web browser or into an Internet search engine. Within 30 days of the date of this Order, Defendants SHALL effect this injunction.

1-800 Contacts, 309 F. Supp. 2d at 510 (alteration in original).

Such abuse will be found if a district court rests its decision on a clearly erroneous finding of fact or makes an error of law. *Id.*

B. Lanham Act

In order to prevail on a trademark infringement claim for registered trademarks, pursuant to 15 U.S.C. § 1114,[9] or unregistered trademarks, pursuant to 15 U.S.C. § 1125(a)(1),[10] a plaintiff must establish that (1) it has a valid mark that is enti-

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[9] 15 U.S.C. § 1114 provides, in relevant part,

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . .

. . . .

shall be liable in a civil action by the registrant for the remedies hereinafter provided.

[10] 15 U.S.C. § 1125 provides, in relevant part,

(a) Civil action

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

tled to protection under the Lanham Act; and that (2) the defendant used the mark, (3) in commerce, (4) "in connection with the sale . . . or advertising of goods or services," 15 U.S.C. § 1114(1)(a), (5) without the plaintiff's consent. *See Time, Inc. v. Petersen Publ'g Co.*, 173 F.3d 113, 117 (2d Cir. 1999); *Genesee Brewing Co., Inc. v. Stroh Brewing Co.*, 124 F.3d 137, 142 (2d Cir. 1997). In addition, the plaintiff must show that defendant's use of that mark "is likely to cause confusion . . . as to the affiliation, connection, or association of [defendant] with [plaintiff], or as to the origin, sponsorship, or approval of [the defendant's] goods, services, or commercial activities by [plaintiff]." 15 U.S.C. § 1125(a)(1)(A); *see also Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1508-09 (2d Cir. 1997); *Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072, 1075 (2d Cir. 1993).

The only issue before us on appeal is whether the district court abused its discretion when it entered the preliminary injunction against WhenU; specifically, whether the district court erred in finding that 1-800 had demonstrated a likelihood of success on its trademark claims. As a result, the threshold of error required to reverse the district court's decision is higher than it would be were we reviewing a decision on 1-800's trademark claims themselves. That higher threshold is met in this case, however, because the district court erred as a matter of law in finding that WhenU "uses" 1-800's trademark. Because 1-800 cannot establish an essential element of its trademark claims, not only must the preliminary injunction be vacated, but 1-800's trademark infringement claims must be dismissed as well.

II. "Use" Under the Lanham Act

The Lanham Act defines "use in commerce," in relevant part, as follows:

> . . . . For purposes of this Chapter, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce . . . .

15 U.S.C. § 1127.

In issuing the preliminary injunction, the district court held that WhenU

> use[s] [1-800]'s mark in two ways. First, in causing pop-up advertisements for Defendant Vision Direct to appear when SaveNow users have specifically attempted to access [1-800]'s website—on which Plaintiff's trademark appears—[WhenU is] displaying Plaintiff's mark "in the . . . advertising of" Defendant Vision Direct's services . . . [and, t]hus, . . . [is] "using" Plaintiff's marks that appear on Plaintiff's website.
>
> Second, Defendant WhenU.com includes Plaintiff's [website address], trademark,] in the proprietary WhenU.com directory of terms that triggers pop-up advertisements on SaveNow users' computers. In so doing, Defendant WhenU.com "uses" Plaintiff's mark . . . to advertise and publicize companies that are in direct competition with Plaintiff.

1-800 Contacts, 309 F. Supp. 2d at 489.

Prior to the district court's decision, two other courts had addressed the issue of "use" as it applies to WhenU's specific activities and reached the opposite conclusion. In *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003), the district court denied Wells Fargo's motion for a preliminary injunction after finding that WhenU's inclusion of plaintiff Wells Fargo's trademarked website address in WhenU's proprietary directory of keywords was not "use" for purposes of the Lanham Act, and that WhenU did not alter or interfere with Wells Fargo's website in any manner. *Id.* at 757-61. The district court in *U-Haul International, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003), employing a very similar analysis, granted summary judgment in favor of WhenU after concluding that WhenU's inclusion of U-Haul's trademarked website address in the SaveNow directory was not actionable because it was for a "pure machine-linking function" that was not "use" under the Lanham Act. *Id. at 728* (internal quotation marks omitted).

In the case before us, the district court's consideration of these two comprehensive decisions on the precise issue at hand was confined to a footnote in which it cited the cases, summarized their holdings in parentheticals, and concluded, without discussion, that it "disagree[d] with, and [was] not bound by these findings." *1-800 Contacts*, 309 F. Supp. 2d at 490 n.43. Unlike the district court, we find the thorough analyses set forth in both *U-Haul* and *Wells Fargo* to be persuasive and compelling.

A. The SaveNow Directory

The district court held that WhenU's inclusion of 1-800's website address in the SaveNow directory constitutes a prohibited "use" of 1-800's trademark. *Id.* at 489. We disagree.

At the outset, we note that WhenU does not "use" 1-800's trademark in the manner ordinarily at issue in an infringement claim: it does not "place" 1-800 trademarks on any goods or

services in order to pass them off as emanating from or authorized by 1-800. *See U-Haul*, 279 F. Supp. 2d at 728; cf. *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 32-34 (1st Cir. 1987); *Societe Comptoir de L'Industrie Cotonniere Etablissements Boussac v. Alexander's Dep't Stores, Inc.*, 299 F.2d 33, 37 (2d Cir. 1962). The fact is that WhenU does not reproduce or display 1-800's trademarks at all, nor does it cause the trademarks to be displayed to a C-user. Rather, WhenU reproduces 1-800's website address, identical, to 1-800's 1-800CONTACTS trademark. *See 1-800 Contacts*, 309 F. Supp. 2d at 478-79.

The district court found that the differences between 1-800's trademarks and the website address utilized by WhenU were insignificant because they were limited to the addition of the "www." and ".com" and the omission of the hyphen and a space. *See id.* We conclude that, to the contrary, the differences between the marks are quite significant because they transform 1-800's trademark—which is entitled to protection under the Lanham Act—into a word combination that functions more or less like a public key to 1-800's website.

Moreover, it is plain that WhenU is using 1-800's website address precisely because it is a website address, rather than because it bears any resemblance to 1-800's trademark, because the only place WhenU reproduces the address is in the SaveNow directory. Although the directory resides in the C-user's computer, it is inaccessible to both the C-user and the general public. *See id.* at 476 (noting that directory is scrambled to preclude access). Thus, the appearance of 1-800's website address in the directory does not create a possibility of visual confusion with 1-800's mark. More important, a WhenU pop-up ad cannot be triggered by a C-user's input of the 1-800 trademark or the appearance of that trademark on a webpage accessed by the C-user. Rather, in order for WhenU to capitalize on the fame and recognition of 1-800's trademark—the improper motivation both 1-800 and the district

court ascribe to WhenU—it would have needed to put the actual trademark on the list.[11]

In contrast to some of its competitors, moreover, WhenU does not disclose the proprietary contents of the SaveNow directory to its advertising clients nor does it permit these clients to request or purchase specified keywords to add to the directory. *See GEICO v. Google, Inc.*, 330 F. Supp. 2d 700, 703-04 (E.D. Va. 2004) (distinguishing WhenU's conduct from defendants' practice of selling "keywords" to its advertising clients), claim dism'd, Order, Dec. 15, 2004 (dismissing Lanham Act claim following bench trial on finding no likelihood of confusion); *see also U-Haul*, 273 F. Supp. 2d at 728 (discussing other practices).[12]

A company's internal utilization of a trademark in a way that does not communicate it to the public is analogous to a individual's private thoughts about a trademark. Such conduct simply does not violate the Lanham Act, which is concerned with the use of trademarks in connection with the sale of goods or services in a manner likely to lead to consumer confusion as to the source of such goods or services. *See* 15 U.S.C. § 1127; *see also* Louis Altman, 4 Callmann on Unfair Competition, Trademarks and Monopolies § 22:25 n.1 (4th ed. 2004) ("A fortiori, a defendant who does not sell, but merely uses internally within his own company, the trade-

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[11] This observation, however, is not intended to suggest that inclusion of a trademark in the directory would necessarily be an infringing "use." We express no view on this distinct issue.

[12] We think it noteworthy that prior to filing its lawsuit against WhenU, 1-800 entered into agreements with WhenU competitors Gator and Yahoo! to have its own pop-up and banner ads delivered to C-users in response to the C-users' input of particular website addresses and keywords that were specified by 1-800. Included in the list 1-800 provided to Gator, for instance, were the website addresses for several of 1-800's competitors, including defendant-appellee Vision Direct, Coastal Contacts, and Lens Express.

marked product of another, is not a trademark infringer or unfair competitor by virtue of such use.").

Accordingly, we conclude that WhenU's inclusion of the 1-800 website address in its SaveNow directory does not infringe on 1-800's trademark.

B. The Pop-up Advertisements

The primary issue to be resolved by this appeal is whether the placement of pop-up ads on a C-user's screen contemporaneously with either the 1-800 website or a list of search results obtained by the C-user's input of the 1-800 website address constitutes "use" under the Lanham Act, 15 U.S.C. §§ 1114(1), 1125(a). The district court reasoned that WhenU, by "causing pop-up advertisements for Defendant Vision Direct to appear when SaveNow users have specifically attempted to access [1-800]'s website, . . . [is] displaying [1-800]'s mark in the . . . advertising of . . . Vision Direct's services." *1-800 Contacts*, 309 F. Supp. 2d at 489.

The fatal flaw with this holding is that WhenU's pop-up ads do not display the 1-800 trademark. The district court's holding, however, appears to have been based on the court's acceptance of 1-800's claim that WhenU's pop-up ads appear "on" and affect 1-800's website. *See, e.g., id.* at 479 (stating that WhenU has "no relationship with the companies on whose websites the pop-up advertisements appear") (emphasis omitted) (emphasis added). As we explained above, the WhenU pop-up ads appear in a separate window that is prominently branded with the WhenU mark; they have absolutely no tangible effect on the appearance or functionality of the 1-800 website.

More important, the appearance of WhenU's pop-up ad is not contingent upon or related to 1-800's trademark, the trademark's appearance on 1-800's website, or the mark's similarity to 1-800's website address. Rather, the contemporaneous display of the ads and trademarks is the result of the

happenstance that 1-800 chose to use a mark similar to its trademark as the address to its web page and to place its trademark on its website. The pop-up ad, which is triggered by the C-user's input of 1-800's website address, would appear even if 1-800's trademarks were not displayed on its website. A pop-up ad could also appear if the C-user typed the 1-800 website address, not as an address, but as a search term in the browser's search engine, and then accessed 1-800's website by using the hyperlink that appeared in the list of search results.[13]

In addition, 1-800's website address is not the only term in the SaveNow directory that could trigger a Vision Direct ad to "pop up" on 1-800's website. For example, an ad could be triggered if a C-user searched for "contacts" or "eye care," both terms contained in the directory, and then clicked on the listed hyperlink to 1-800's website.

Exemplifying the conceptual difficulty that inheres in this issue, the district court's decision suggests that the crux of WhenU's wrongdoing—and the primary basis for the district court's finding of "use"—is WhenU's alleged effort to capitalize on a C-user's specific attempt to access the 1-800 website. As the court explained it,

> WhenU.com is doing far more than merely "displaying" Plaintiff's mark. WhenU's advertisements are delivered to a SaveNow user when the user directly accesses

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[13] The Second Circuit has defined the term "search engine" operationally:

> A search engine will find all web pages on the Internet with a particular word or phrase. Given the current state of search engine technology, that search will often produce a list of hundreds of web sites through which the [C-user] must sort in order to find what he or she is looking for.

Sporty's Farm L.L.C. v. Sportsman's Market, Inc., 202 F.3d 489, 493 (2d Cir. 2000).

> Plaintiff's website—thus allowing Defendant Vision Direct to profit from the goodwill and reputation in Plaintiff's website that led the user to access Plaintiff's website in the first place.

1-800 Contacts, 309 F. Supp. 2d at 490. Absent improper use of 1-800's trademark, however, such conduct does not violate the Lanham Act. *See TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29, 149 L. Ed. 2d 164, 121 S. Ct. 1255 (2001); *Kellogg Co. v. Nat'l Biscuit Co.*, 305 U.S. 111, 122, 83 L. Ed. 73, 59 S. Ct. 109, 1939 *Dec. Comm'r Pat.* 850 (1938) (holding that Kellogg's sharing in the goodwill of the unprotected "Shredded Wheat" market was "not unfair"); *see* also William P. Kratzke, Normative Economic Analysis of Trademark Law, 21 Memphis St. U. L. Rev. 199, 223 (1991) (criticizing importation into trademark law of "unjust enrichment" and "free riding" theories based on a trademark holder's goodwill). Indeed, it is routine for vendors to seek specific "product placement" in retail stores precisely to capitalize on their competitors' name recognition. For example, a drug store typically places its own store-brand generic products next to the trademarked products they emulate in order to induce a customer who has specifically sought out the trademarked product to consider the store's less-expensive alternative. WhenU employs this same marketing strategy by informing C-users who have sought out a specific trademarked product about available coupons, discounts, or alternative products that may be of interest to them.

1-800 disputes this analogy by arguing that unlike a drugstore, only the 1-800 website is displayed when the pop-up ad appears. This response, however, ignores the fact that a C-user who has installed the SaveNow software receives WhenU pop-up ads in a myriad of contexts, the vast majority

of which are unlikely to have anything to do with 1-800 or the C-user's input of the 1-800 website address.[14]

The cases relied on by 1-800 do not alter our analysis. As explained in detail by the court in U-Haul, they are all readily distinguishable because WhenU's conduct does not involve any of the activities those courts found to constitute "use." *U-Haul*, 279 F. Supp. at 728-29 (collecting cases). Significantly, WhenU's activities do not alter or affect 1-800's website in any way. Nor do they divert or misdirect C-users away from 1-800's website, or alter in any way the results a C-user will obtain when searching with the 1-800 trademark or website address. *Id.* at 728-29. Compare *Playboy Enters., Inc. v. Netscape Communications Corp.*, 354 F.3d 1020, 1024 (9th Cir. 2004) (holding that infringement could be based on defendant's insertion of unidentified banner ads on C-user's search-results page); *Brookfield Communs., Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999) (holding that defendant's use of trademarks in "metatags," invisible text within websites that search engines use for ranking results, constituted a "use in commerce" under the Lanham Act); *see* generally *Bihari v. Gross*, 119 F. Supp. 2d 309 (S.D.N.Y. 2000) (discussing Brookfield and similar cases).[15]

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[14] Indeed, although we do not address the district court's finding of a likelihood of confusion, we note that 1-800's claim that C-users will likely be confused into thinking that 1-800 has sponsored its competitor's pop-up ads is fairly incredulous given that C-users who have downloaded the SaveNow software receive numerous WhenU pop-up ads—each displaying the WhenU brand—in varying contexts and for a broad range of products.

[15] We note that in distinguishing cases such as Brookfield, Playboy and Bihari, we do not necessarily endorse their holdings. *See Playboy*, 354 F.3d at 1034-36 (Berzon, C.J., concurring, noting disagreement with holding in Brookfield).

In addition, unlike several other internet advertising companies, WhenU does not "sell" keyword trademarks to its customers or otherwise manipulate which category-related advertisement will pop up in response to any particular terms on the internal directory. *See*, e.g., *GEICO*, 330 F. Supp. 2d at 703-04 (finding that Google's sale to advertisers of right to use specific trademarks as "keywords" to trigger their ads constituted "use in commerce"). In other words, WhenU does not link trademarks to any particular competitor's ads, and a customer cannot pay to have its pop-up ad appear on any specific website or in connection with any particular trademark. *See id.* at 704 (distinguishing WhenU's conduct on this basis). Instead, the SaveNow directory terms trigger categorical associations (e.g., www.1800Contacts.com might trigger the category of "eye care"), at which point, the software will randomly select one of the pop-up ads contained in the eye-care category to send to the C-user's desktop.

Perhaps because ultimately 1-800 is unable to explain precisely how WhenU "uses" its trademark, it resorts to bootstrapping a finding of "use" by alleging other elements of a trademark claim. For example, 1-800 invariably refers to WhenU's pop-up ads as "unauthorized" in an effort, it would seem, to establish by sheer force of repetition the element of unauthorized use of a trademark. Not surprisingly, 1-800 cites no legal authority for the proposition that advertisements, software applications, or any other visual image that can appear on a C-user's computer screen must be authorized by the owner of any website that will appear contemporaneously with that image. The fact is that WhenU does not need 1-800's authorization to display a separate window containing an ad any more than Corel would need authorization from Microsoft to display its WordPerfect word-processor in a window contemporaneously with a Word word-processing window. Moreover, contrary to 1-800's repeated admonitions, WhenU's pop-up ads are authorized—if unwittingly—by the C-user who has downloaded the SaveNow software.

1-800 also argues that WhenU's conduct is "use" because it is likely to confuse C-users as to the source of the ad. It buttresses this claim with a survey it submitted to the district court that purportedly demonstrates, inter alia, that (1) a majority of C-users believe that pop-up ads that appear on websites are sponsored by those websites, and (2) numerous C-users are unaware that they have downloaded the SaveNow software. 1-800 also relies on several cases in which the court seemingly based a finding of trademark "use" on the confusion such "use" was likely to cause. *See*, e.g., *Bihari*, 119 F. Supp. 2d at 318 (holding that defendant's use of trademarks in metatags constituted a "use in commerce" under the Lanham Act in part because the hyperlinks "effectively act[ed] as a conduit, steering potential customers away from Bihari Interiors and toward its competitors"); *GEICO*, 330 F. Supp. 2d at 703-04 (finding that Google's sale to advertisers of right to have specific trademarks trigger their ads was "use in commerce" because it created likelihood of confusion that Google had the trademark holder's authority to do so). Again, this rationale puts the cart before the horse. Not only are "use," "in commerce," and "likelihood of confusion" three distinct elements of a trademark infringement claim, but "use" must be decided as a threshold matter because, while any number of activities may be "in commerce" or create a likelihood of confusion, no such activity is actionable under the Lanham Act absent the "use" of a trademark. 15 U.S.C. § 1114; *see People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 364 (4th Cir. 2001). Because 1-800 has failed to establish such "use," its trademark infringement claims fail.

III. 1-800's Remaining Claims

In issuing the preliminary injunction, the district court expressly confined its findings in support of the injunction to 1-800's trademark infringement. Accordingly, 1-800's remain-

ing claims, as to which we express no view, will be the subject of further proceedings on remand.

CONCLUSION

For the foregoing reasons, we reverse the district court's entry of a preliminary injunction and remand with instructions to (1) dismiss with prejudice 1-800's trademark infringement claims against WhenU, and (2) proceed with 1-800's remaining claims.

APPENDIX B

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

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02 Civ. 8043 (DAB)

1-800 CONTACTS, INC.,

Plaintiff,

v.

WHENU.COM, INC. and VISION DIRECT, INC.,

Defendants.

December 22, 2003, Decided
December 22, 2003, Filed

OPINION

DEBORAH A. BATTS, *United States District Judge.*

Before the Court is a Motion for a Preliminary Injunction by Plaintiff 1-800 Contacts ("1-800 Contacts" or "Plaintiff") to enjoin Defendants from delivering to computer users competitive "pop-up" Internet advertisements, in violation of federal and state copyright, trademark, and unfair competition laws. For the reasons set forth herein, Plaintiff's motion is GRANTED in part.

I. BACKGROUND

A. Procedural Background

On October 9, 2002, Plaintiff filed this action with ten claims for relief.[1] With its Complaint, Plaintiff also filed a

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[1] Plaintiff's claims included: 1.) Trademark infringement, in violation of the Section 32(1) of the Lanham Act, 15 U.S.C. § 1114; 2.) Unfair Competition, in violation of Section 43(a) of the Lanham Act, 15 U.S.C.

Motion for Preliminary Injunction,[2] to enjoin Defendants from: 1.) Placing, or causing any other entity to place, advertisements of any kind on any copy of Plaintiff's website, without the express consent of the Plaintiff; 2.) Altering or modifying, or causing any other entity to alter or modify, any copy of Plaintiff's website in any way, including its appearance or how it is displayed; 3.) Infringing, or causing any other entity to infringe, Plaintiff's copyright; 4.) Making any designations of origin, descriptions, representations or suggestions that Plaintiff is the source, sponsor or in any way affiliated with Defendant Vision Direct's website and services; 5.) Acting in any manner that causes Defendants' products, services, websites, or advertisements to be in any way associated with Plaintiff's products, services, or website, including, but not limited to, any means of marketing advertising, or agreements with third parties likely to induce the belief that Defendants or Defendants' websites, advertisements, products or services are in any way associated connected, or affiliated with, or licensed or authorized by Plaintiff; 6.) Infringing, or causing any other entity to infringe, Plaintiff's trademarks and/or service marks rights; 7.) Unfairly designating the origin of Defendant Vision Direct's website and services, or otherwise creating confusion

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§ 1125(a); 3.) False designation of origin, in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); 4.) Trademark dilution, in violation of Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c); 5.) Cybersquatting, in violation of Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(d); 6.) Copyright infringement, in violation of the Federal Copyright Act, 17 U.S.C. §§ 101, *et seq.*; 7.) Contributory Copyright Infringement, in violation of the Federal Copyright Act, 17 U.S.C. §§ 101, *et seq.*; 8.) Dilution of trademark and/or injury to business reputation, in violation of *N.Y.G.B.L.* § 360-l; 9.) Common law unfair competition; and 10.) Tortious Interference with Prospective Economic Advantage.

[2] With its Preliminary Injunction Motion, Plaintiff filed a Memorandum of Law ("Pl. October 9, 2002"), supported by the Declaration of Jason Mathison ("Mathison Dec.") and the Affidavit of Amy Barrier ("Barrier Aff.").

regarding the origin of Defendant Vision Direct's website and services; 8.) Unfairly competing with Plaintiff in any manner; 9.) Acting, or causing another entity to act, in any manner likely to dilute, tarnish, or blur the distinctiveness of the 1-800 CONTACTS marks; 10.) Causing a likelihood of confusion or injuries to Plaintiff's business reputation; 11.) Interfering with Plaintiff's reasonable business expectations. (Plaintiff's Proposed Order, filed October 9, 2002.)

On October 22, 2002, the Court held a conference call with the parties, during which the parties agreed to cease the allegedly offending "pop-up" advertising conduct until a preliminary injunction hearing. The parties agreed to allow Defendants sufficient time to conduct a consumer survey to rebut Plaintiff's survey evidence and scheduled a Preliminary Injunction hearing for February 7, 2003.[3]

On January 7, 2003, the Court ordered, by memo-endorsement of a letter request from Defendant WhenU.com ("WhenU" or "WhenU.com"), an adjournment of the Preliminary Injunction Hearing in this case to March 18, 2003. (Memo-Endorsement of Def. Jan. 6, 2003.) On January 31, 2003, Defendant WhenU.com filed its Memorandum of Law in Opposition to Plaintiff's Motion for a Preliminary Injunction ("WhenU.com Jan. 31, 2003"),[4] and Defendant Vision

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[3] In a follow-up call on October 24, 2002, the parties notified the Court that they had formalized a stipulation, under which the parties ceased pop-up advertising activities on each others' websites, to "continue in effect through a hearing by this Court on Plaintiff's Motion for a Preliminary Injunction." (October 29, 2002 Stipulation and Order at 4). The Court signed the Stipulation on October 29, 2002 and reset the Preliminary Injunction hearing date to February 24, 2003.

[4] Defendant WhenU.com's Opposition was supported by the Affidavit of Avi Naider ("Naider Aff."), the Declaration of Dr. Jacob Jacoby ("Jacoby Dec."), and the Declaration of Dr. John A. Deighton ("Deighton Dec.")

Direct filed its Memorandum in Opposition as well ("Vision Direct Jan. 31, 2003").[5]

On February 28, 2003, Plaintiff filed its Memorandum of Law in Reply to Defendant WhenU.com's Opposition and its Memorandum of Law in Reply to Defendant Vision Direct's Opposition ("Pl. Feb 28, 2003").

Evidentiary hearings and argument were heard on March 18, March 19, April 8, and April 10, 2003. The Court incorporates herein the record of the evidentiary hearings and argument. Relevant hearing testimony and arguments are set forth in more detail below.[6]

B. Factual Background

The undisputed facts in this section, with the legal conclusions and facts found in the Discussion section, infra, constitute the Court's Findings of Fact and Conclusions of Law for purposes of *Rule 52(a)*.

1. The Parties

Plaintiff 1-800 Contacts, Inc. ("1-800 Contacts") sells and markets replacement contact lenses and related products through its website, located at http://www.1800Contacts.com, and also through telephone and mail orders. (Declaration of Jason Mathison ("Mathison Dec.") P 4; Plaintiff's October 9, 2002 Memandum ("Pl. Oct. 9, 2002") at 3). Plaintiff has registered the "WE DELIVER, YOU SAVE" mark with the United States Patent and Trademark Office ("USPTO"), and has filed for registration of the mark "1-800 CONTACTS" and the 1-800 CONTACTS logo. (Complaint ("Compl.") Ex. A-C; Pl. Oct. 9, 2002 at 4.) Plaintiff has expended con-

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[5] WhenU.com's Opposition was supported by the Declaration of Ian Mummery ("Mummery Dec.").

[6] References to the Preliminary Injunction hearing transcript are denoted by "Tr."

siderable sums on marketing these marks; in 2001, 1-800 Contacts spent $27,118,000 on marketing. (Mathison Dec. P 7; Pl. Oct. 9, 2002 at 4.) Since the founding of 1-800 Contacts in 1995, Plaintiff has continuously used its service marks to promote and identify its services in the United States and abroad. (Mathison Dec. P 6) Plaintiff's sales have grown from $3,600,000 in 1995 to $169,000,000 in 2001. (Mathison Decl. P 8; Pl. Oct. 9, 2002 at 3.)

Plaintiff is the sole owner of the 1-800Contacts.com website. (Mathison Dec. P 5; Pl. Oct. 9, 2002 at 4.) Plaintiff registered its copyright to the 1-800Contacts.com website with the Copyright Office of the United States Library of Congress on October 2, 2000.[7] (Compl., Exh. D.) Over 221,800 people visited Plaintiff's website in the month of September, 2002.[8] (Mathison Dec. P 9; Pl. Oct. 9, 2002 at 4.)

Defendant Vision Direct, Inc. sells and markets replacement contact lenses and related products through its website, located at http://www.visiondirect.com. (Mummery Dec. P 2; Vision Direct Jan. 31, 2002 at 2.) Vision Direct and 1-800 Contacts are competitors. *Id.* Defendant Vision Direct has registered and maintains a registration in the domain name[9] www.www1800Contacts.com. (Barrier Aff. Ex. A.)

Defendant WhenU.com is a software company that has developed and distributes, among other products, the "SaveNow" program, a proprietary software application. (Tr. at 34; Naider Aff. P 22.)

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[7] Appended to Plaintiff's Complaint is Certificate of Registration No. VA-1-032-662, which provides, inter alia, that the "1800 Contacts Web site" was completed in the year 2000, that the work was first published on March 1, 2000, and that the effective date of the copyright registration was October, 2, 2000. (Compl., Ex. D.)

[8] Mr. Mathison's Declaration states that "Approximately 221,864 people visited the website in the past month"—his declaration was dated October 4, 2002.

[9] See fn.13, *infra*.

2. The Internet and the Windows Operating Environment

Since Plaintiff's claims arise from alleged anti-competitive and infringing action by Defendants through the Defendants' use of proprietary software that is distributed to computer users, a brief explanation of the Internet, the computer operating environment and associated terms and definitions is helpful. These facts are not in dispute.

The Internet is a global network of millions of inter-connected computers. (Compl. P 20.) With a computer that is connected to the Internet, a computer user can access computer code and information that is stored on the Internet in repositories called "servers." (Tr. at 137-38.) Much of the information stored in servers on the Internet can be viewed by a computer user in the form of "webpages," which are collections of pictures and information, retrieved from the Internet, and assembled on the user's computer screen. (Compl. P 20.) "Websites" are collection of webpages that are organized and linked together to allow a computer user to move from webpage to webpage easily. (*Id.*) A single website may contain information or pictures that are stored on many different servers. (Tr. at 139-140.)

To gain access to the Internet, a computer user generally connects to the Internet using an internet service provider ("ISP").[10] (Tr. at 136.) The ISP provides access to the Internet, which allows the user's computer to communicate with the Internet. (Tr. at 136.) Once a connection to the Internet has been established through an ISP, a user may "browse" or "surf" the Internet by using a software program called an Internet browser ("browser"). (Tr. at 136.) Microsoft Internet Explorer is one example of a browser program.[11]

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[10] Examples of ISPs include Earthlink, Verizon, NetZero, America Online.

[11] Other examples of browser programs include Netscape Navigator, Opera, and Mozilla; in addition, many residential ISPs like Earthlink and America Online provide their own proprietary browsers.

(Tr. at 135.) Through the browser, a user retrieves information located on Internet servers.[12] (Tr. at 138.)

To retrieve information from the Internet, a user may type the address[13] of a website into the web browser—the user's computer will then request information from the server or servers on which the website resides,[14] and then will access the pertinent information on those servers. (Tr. at 137-38.)

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[12] With appropriate software, any computer that is connected to the Internet can act as a server, by providing access, via the Internet, to other computer users who are connected to the Internet. Thus, there are many, many servers acting as "hosts" for information that is found on the Internet.

[13] The Second Circuit has explained that

> Web pages are designated by an address called a domain name. A domain name consists of two parts: a top level domain and a secondary level domain. The top level domain is the domain name's suffix. Currently, the Internet is divided primarily into six top level domains: (1) .edu for educational institutions; (2) .org for non-governmental and non-commercial organizations; (3) .gov for governmental entities; (4) .net for networks; (5) .com for commercial users, and (6) a nation-specific domain, which is .us in the United States. The secondary level domain is the remainder of the address, and can consist of combinations of letters, numbers, and some typographical symbols. To take a simple example, in the domain name "cnn.com," cnn ("Cable News Network") represents the secondary level domain and .com represents the top level domain. Each domain name is unique.

Sporty's Farm L.L.C. v. Sportsman's Market, Inc., 202 F.3d 489, 492-93 (2d Cir. 2000).

[14] Given that a single website contains text and information located on multiple servers, when a user's computer accesses a single website, the computer may be receiving information from several different servers. (Tr. at 140.) Avi Naider, CEO of WhenU analogized accessing a website to fishing:

> The way a desktop computer actually operates is it communicates with multiple servers at the same time. So it's not a one-to-one thing. A desktop, even in the 1-800 Contacts web page, the text for

In common usage, an "URL" (Uniform Resource Locator) is the location for a specific webpage, such that if the URL were entered into a browser, the webpage would appear. By contrast, a "domain name" is often used to refer to the URL for the "front" or "home" page of a website. Thus, the domain name for the 1-800 Contacts is www.1800Contacts.com, while the URL for a specific webpage within the 1-800 Contacts website might be www.1800Contacts.com/xxxxx.xxx, with the "x's" providing specific locations within the 1-800 Contacts domain. The URL of a webpage may be entered directly into a web browser to retrieve that webpage.

Many computer users ("users") access the Internet with computers that use the Microsoft Windows operating system ("Windows"). Windows allows a user to work in numerous software applications simultaneously. (Naider Aff. at 4.) In Windows, the background screen is called the "desktop." When a software program is launched, a "window" appears on the desktop, within which the functions of that program are displayed and operate. (Naider Aff. at 4.) A user may open multiple windows simultaneously, allowing the user to launch and use more than one software application at the same time. Individual windows may be moved around the desktop, and because the computer screen is two-dimensional, one window may obscure another window, thus appearing to be "in front of" another window. (Naider Aff. at 4-5.)

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the page might come from one server that might be owned by the 1-800 Contacts company, the images on the webpage might come from a commercial server somewhere that's set up to deliver images. Different elements on a desktop can come from lots of different places. Maybe the best way to describe a desktop is you've got lots of open fishing lines. Once you establish a connection into the Internet, you've sort of got your boat out into the ocean, and you can toss out lots of different lines to lots of different places and collect information from lots of different places.

(Tr. at 139.)

A "search engine" is a website (or in some cases, a software program) that a computer user can use to find information on the Internet.[15] Typically, a computer user will type in a word or words describing what is sought, and the search engine will identify websites and webpages that contain those words.[16]

3. The SaveNow Program

The following description of the operation and function of the SaveNow software is not in dispute. The SaveNow program is computer software that only operates in the Microsoft Windows operating system. (Tr. at 27.) The Save Now software, if installed, resides on individual computer users' computer desktops. (Tr. at 34; Naider Aff. P 22.) When a computer user who has installed the SaveNow software (a "SaveNow user") browses the Internet, the SaveNow software scans activity conducted within the SaveNow user's Internet browser, (Naider Aff. P 25), comparing URLs, website addresses, search terms and webpage content accessed by the SaveNow user with a proprietary directory,[17] using algorithms contained in the software. (Tr. at 34, 55; Naider Aff. P 23.)

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[15] Examples of search engines are www.Google.com, www.Yahoo.com and www.AskJeeves.com.

[16] The Second Circuit has defined the term "search engine" operationally:

> A search engine will find all web pages on the Internet with a particular word or phrase. Given the current state of search engine technology, that search will often produce a list of hundreds of web sites through which the user must sort in order to find what he or she is looking for.

Sporty's Farm L.L.C. v. Sportsman's Market, Inc., 202 F.3d 489, 493 (2d Cir. 2000)

[17] The directory is stored on the SaveNow user's computer as a part of the SaveNow application. (Naider Aff. P 23.)

Entering an URL into the browser can "trigger" the SaveNow software to deliver a "pop-up" advertisement.[18] (Tr. at 172.) When a user types a search word or URL into the Internet browser, the SaveNow software looks to see what category of products or services the address belongs to. (Tr. at 144.) In general, if the SaveNow user's Internet usage "matches" information contained in the SaveNow directory, the SaveNow software will determine that an ad should be shown, will retrieve a pop-up advertisement from a server over the Internet, and will display that pop-up ad in a new window appearing on the user's computer screen. (Tr. at 34, 141, 145; Naider Aff. P 26.) More pertinent to this case, when a user types in "1800contacts.com," the URL for Plaintiff's website, the SaveNow software recognizes that the user is interested in the eye-care category, and retrieves from an Internet server a pop-up advertisement from that category. (Tr. at 144-45.) Mr. Naider described the functioning of the proprietary directory contained in the SaveNow program:

> Essentially, the program contains a directory of the Internet, and . . . has over 40,000 elements in this directory. Elements such as URL's, but many other elements, such as search terms, something we call keyword algorithms. So an example of a key-word algorithm would be, the software processes the content of the page and if I'm reading an article where the word "diabetes" appears four times and the word "type I" or "type II" in conjunction with that, that would be an example of a key-word algorithm. All of those elements, the URL's, the search terms, the keyword algorithms, are processed and compared against this directory of 40,000, and growing, elements. And then a decision is made that says, OK, this user is engaged in activity in a particular

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[18] "Pop-up" windows are windows containing notifications or advertisements that appear on the screen, usually without any triggering action by the computer user.

> category—again, it may be hotel travel or air travel, in this case contact lenses or eye care—and the ad units themselves are basically associated with categories, such that if the software detects, by looking at these elements, activity in a category, it may display an ad that's relevant to that category.

(Tr. at 65.)

Usually there is a "few-second" delay between the moment a user accesses a website, and the point at which a Save Now pop-up advertisement appears on the user's screen. (Tr. at 146.)

If a SaveNow user who has accessed the 1-800 Contacts website and has received a WhenU.com pop-up advertisement does not want to view the advertisement or the advertiser's website, the user can click on the visible portion of the window containing the 1-800 Contacts website, and the 1-800 Contacts website will move to the front of the screen display, with the pop-up ad moving behind the website window. (Tr. at 63-64.) Or, if the user recognizes that a different website has appeared on the screen, the user can close the pop-up website by clicking on its "x," or close, button. If the user clicks on the pop-up ad, the main browser window (containing the 1-800 Contacts website) will be navigated to the website of the advertiser that was featured inside the pop-up advertisement. (Tr. at 63.)

The contents of the SaveNow proprietary directory are automatically updated. (Tr. at 142.) When a SaveNow user connects to the Internet, the SaveNow software receives information and updates itself without any prompting or conscious choice by the user. (Tr. at 142-43.) The SaveNow software does not store any information about the individual computer user, or track the user's usage of the computer. (Tr. at 28.) Once installed, the SaveNow software requires no action by the user to activate its operations; instead, the SaveNow software responds to a user's "in-the-moment"

activities by generating pop-up advertisement windows that are related to the content of the websites a user has accessed. (Tr. at 27-28.)

Computer users typically install the SaveNow software as part of a "bundle"[19] of other software applications that consumers download at no cost. (Tr. at 67, Naider Aff. P 33). A user who installs a typical software "bundle" clicks through four screens,[20] (Tr. at 68), and to proceed with installing the software "bundle," is required to approve a license agreement with WhenU, by clicking "I Agree" on the installation window.[21] (Tr. at 68; Memo in Opposition at 10). There have

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[19] E.g. if a user wants a free cartoon character screensaver, in order to get it the user has to accept also the other programs it is bundled with. The screensaver is the lure that hooks the user into downloading the bundled software.

[20] As demonstrated at the hearing, the first screen encountered by a user installing a typical software bundle is a welcome screen, the second screen contains a license agreement for a screensaver software program (not related to WhenU.com's software), the third screen contains an opportunity to join an email list for the screensaver program, and the fourth screen describes where on the computer the software will be installed. (Tr. at 68.)

[21] A "typical" SaveNow License Agreement states, in pertinent part:

> SaveNow shows users relevant contextual information and offers as they surf the Web. There are a vast number of offers and services available to Internet users that SaveNow may display. In addition, WhenU.com negotiates exclusive offers to maximize value for users. The software's goal is to show users information about these offers and services—right at the moment when they need it. Offers and information are provided to users by showing a limited number of relevant ads in the form of interstitials ("pop-up ads") and other ad formats. These offers and ads are shown when users visit various sites across the Internet, based on URLs visited by the user and or search terms typed into search engines and or the HTML content of the page viewed by the user. SaveNow ads/offers are delivered independently from the site the user happens to be visiting when they see a SaveNow ad offer and are not endorsed or affiliated with anyone other than WhenU.com. (Naider Aff. P 23, Ex. G.)

been approximately 100 million downloads of the SaveNow program. (Tr. at 166.) The SaveNow software can be uninstalled from a user's computer, and Mr. Naider testified that approximately 75 million people have uninstalled the program. (Tr. at 70-71.)

The SaveNow software generates at least three kinds of ads—an ad may be a small "pop-up" advertisement appearing in the bottom right-hand corner of a user's screen; it may be a "pop-under" advertisement that appears behind the webpage the user initially visited; or it may be a "panoramic" advertisement that stretches across the bottom of the user's computer screen. (Naider Aff. P 41.)

Pop-up advertisement windows generated by the SaveNow software are "branded"—a green "$" mark and the text "SaveNow!" are affixed to the top of the pop-up window. On the upper right-hand corner of the SaveNow ad windows, next to the "X" symbol that typically closes windows, is a "?" symbol that, when clicked, opens a new window containing a notice explaining the SaveNow software and a link to a page with more detailed information for removing or "uninstalling" the software.[22] (Tr. at 56-61; Naider Aff. P 42.) As of the filing of this lawsuit, the pop-up advertisement win-

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[22] The notice says:

> This offer is brought to you by WhenU.com, through the SaveNow service. SaveNow alerts you to offers and services at the moment when they are most relevant to you. SaveNow does not collect any personal information or browsing history from its users. Your privacy is 100 percent protected. The offers shown to you by Save Now are not affiliated with the site you are visiting. For more about SaveNow, click here or e-mail information at WhenU.com. At WhenU, we are committed to putting you in control of your Internet experience.

(Tr. at 58-59).

dows contained text, at the bottom right of the pop-up window, stating: "A WhenU offer—click? for info."[23] *Id.*

One of the elements contained in the SaveNow proprietary software directory is the URL, 1800Contacts.com," which is the Internet website address for Plaintiff 1-800 Contacts. (Tr. at 134.) Since at least the Summer of 2002, when computer users who had the SaveNow software installed on their computers ("SaveNow users") accessed Plaintiff's website, pop-up or pop-under advertisements for Defendant Vision Direct would appear on the user's screen. (Pl. Oct. 9, 2002 at 8; Mathison Decl. at P 14).

WhenU.com's clients "buy categories" of goods or services, paying for delivery of their advertisements or coupons to SaveNow users' screens when the SaveNow users are working in relevant categories. (Tr. at 65-66, 152.) Under some of WhenU.com's contracts, advertisers pay When U.com to deliver pop-up advertisements to SaveNow users' screens; under other contracts, advertisers pay WhenU.com based on the number of people who click on the pop-up advertisements; still other advertisers pay WhenU.com based on the number of actual purchases made by SaveNow users from pop-up ads that have been delivered to their computers. (Tr. at 152.) Thus, WhenU.com has a fee relationship with the advertisers who pay it to deliver pop-up advertisements, and a free relationship with consumers who install the SaveNow

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[23] In December 2002, subsequent to the filing of this lawsuit, When U.com replaced this text with a new disclaimer, stating: "This is a WhenU offer and is not sponsored or displayed by the websites you are visiting. More . . ." If a user clicks on the "More," a new window displays the same statement that was generated when the user clicked on the "?" character. (Tr. at 58.) However, since "there is no guarantee that Defendants will not simply return to the same conduct if the case is dismissed without issuance of an injunction," the Court considers the disclaimers as they appeared at the time the action was filed. *ORH, Inc. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176, 186 n.8 (W.D.N.Y. 2000).

software on their computers, but no relationship with the companies on whose websites the pop-up advertisements appear.

C. Plaintiff's Theory of the Case

Plaintiff argues that it has been harmed by the creation of an "impermissible affiliation between Plaintiff and Defendant," since because of Defendants' pop-up advertising, users "are likely to have the impression that the pop-up advertisements operate in cooperation with, rather than in competition against, the Plaintiff." (Pl. Oct. 9, 2002 at 10-11). Plaintiff argues the "pop-up advertisements also interfere with and disrupt the carefully designed display of content" on Plaintiff's copyrighted website. (*Id.*) Plaintiff argues further that the pop-up advertising enables Defendants to "profit illegally from unauthorized pop-up advertisements delivered to Plaintiff's website, (*Id.* at 11), and that through the pop-up advertisements, "Defendants are free-riding on the name, reputation, and goodwill that Plaintiff has worked so hard to attain." (*Id.*) Plaintiff argues that, by causing pop-up advertisements to appear on the copyrighted 1-800 Contacts website, Defendants have altered the copyrighted website, and in so doing, have infringed Plaintiff's exclusive rights to display its copyrighted works and to prepare derivative works. (Tr. at 359.) Plaintiff also argues that Defendants' pop-up advertising has created a likelihood of confusion between Defendant Vision Direct and Plaintiff, and that since Plaintiff has a valid trademark, Defendants have infringed Plaintiff's trademark. (Tr. at 369-70.)

Plaintiff's expert, William D. Neal, conducted a consumer survey to determine whether Defendants' pop-up advertising scheme was likely to cause confusion as to the source of the pop-up advertisements. (Tr. at 209, 243; Neal Dec. P 3.) Specifically, Mr. Neal's overall research goal was to "determine whether online shoppers who wear or expect to wear contact lenses in the future, and who have the SaveNow

software from WhenU.com installed on their computers, are confused and/or misled as to the source of SaveNow generated pop-up advertisements." (Neal Dec., Ex. B.)

Mr. Neal began with an Internet panel[24] to gather potential respondents to his survey. (Tr. at 210, 215.) Mr. Neal testified that from the initial 3.5 million people in the Internet panel, he selected a sample of 100,000 people,[25] and invited them to take a survey, and that approximately 46,000 people responded to that invitation. (Tr. at 210.) Of this group, Mr. Neal determined that approximately 9.6% had the SaveNow software installed on their computers. (Tr. at 210.) Mr. Neal testified that his survey data was based on responses of 994 respondents, about half of whom were individuals who had the SaveNow software installed on their computers. (Tr. at 209.) The survey was administered online. (Neal Dec., Ex. B.)

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[24] In his "Description of Data Analyst Online Panel," Mr. Neal affirms that:

> A sample of respondents was drawn from American Consumer Opinion TM Online, Decision Analyst, Inc.'s Internet panel of over 3,500,000 consumers. These respondents were screened, and qualified participants were invited to Decision Analyst's encrypted OpinionSurvey TM Internet server to complete the survey.

(Neal Aff., Ex. D.)

Mr. Neal notes that "the maximum number of surveys completed per panel household is two surveys per month, although this maximum is rarely achieved. The average panel household participates in three or four studies per year." *Id.*

Mr. Neal also states that "Panels are recruited by a combination of online and offline methods (telephone, mail, banner advertising, print advertising, publicity). The recruiting is designed to make each panel as representative of its target population as possible. American Consumer Opinion TM Online is linked to over 1,000 other Internet sites to provide a steady stream of new panelists.

[25] Mr. Neal drew a "nationally representative stratified quota sample" from the internet panel, "balanced by geography and demographics such as age and income." (Neal Dec., Ex. D.)

From the survey, Mr. Neal concluded that 76% of survey respondents who had SaveNow software on their computer did not know that SaveNow software generates pop-up advertisements on their computer screens when they visited certain websites.[26] (Tr. at 211; Neal Dec. at P 7c). Mr. Neal concluded that 60% of survey respondents who had experienced pop-up advertisements on their computer believe that "pop-up advertisements are placed on the website on which they appear by the owners of that site,"[27] and 52% believe that "pop-up advertisements have been pre-screened and approved by the website on which they appear."[28] (Tr. at 211; Neal Dec. at P 7d). Mr. Neal also concluded that 51% of the survey respondents who had SaveNow software installed on their computer had never heard of that software program,[29] and that 68% did not know it was installed on their computer prior to his research study.[30] (Tr. at 210, Neal Dec. at P 7b).

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[26] In response to Question 9, "Were you aware that, when viewing websites on the Internet, SaveNow software causes 'Pop-Up' advertisements to be displayed on your computer which are not authorized by the website on which they appear?", 75.74% of those respondents who had SaveNow on their computers responded "No." (Neal Dec., Ex. E.)

[27] In response to Question 4-1, "I believe that 'Pop-Up' advertisements are placed on the website on which they appear by the owners of the website", 59.98% of those respondents who had SaveNow on their computers responded "Agree," while 61.11% who did not have SaveNow on their computers responded "Agree." (Neal Dec., Ex. E.)

[28] In response to Question 4-6, "I believe that 'Pop-Up' advertisements have been pre-screened and approved by the website on which they appear", 52.04% of those respondents who had SaveNow on their computers responded "Agree," while 52.21% who did not have SaveNow on their computers responded "Agree." (Neal Dec., Ex. E.)

[29] In response to Question 5, "Prior to your participation in this survey, had you ever heard of a free software program offered by WhenU.com called SaveNow?", 51.02% of those respondents who had SaveNow on their computers responded "No." (Neal Dec., Ex. E.)

[30] In response to Question 6, "Prior to your participation in this survey, did you know that the SaveNow software from WhenU.com was installed

Mr. Neal testified that "a specific trademark was not researched" in his survey. (Tr. at 249.) Mr. Neal testified he did not view a SaveNow pop-up advertisement prior to administering the survey. (Tr. at 258), and did not show survey respondents an example of a SaveNow pop-up advertisement. (Tr. at 264.) Mr. Neal's survey did not ask whether the respondent had ever seen a SaveNow pop-up ad, (Tr. at 265.), did not attempt to distinguish between SaveNow pop-up ads and other pop-up ads, (Tr. at 266-67), and did not determine whether differences between SaveNow ads and other pop-up ads might have affected users' perceptions of the advertisements provided by SaveNow. (Tr. at 268-69.) Mr. Neal testified that although he had not provided survey respondents with an example of a SaveNow pop-up advertisement, it was "very reasonable" to assume that SaveNow users would have seen SaveNow pop-up ads. (Tr. at 272.) Mr. Neal testified that the reason he did not research a specific trademark was that he understood

> that there is a plethora of ads that can be demonstrated or generated through SaveNow, everything from contact lenses to indoor/outdoor carpet to almost anything else. To try to generate that plethora of ads in a research experiment would have been, one, very difficult. The other problem we have is how do you design a control for that? It's nearly impossible. My alternative position was to rely on people's recent recall of what they were seeing in terms of pop-up ads and ask them about their beliefs of those pop-up ads, who generated them, who authorized them, who was paying for them.

(Tr. at 272-73.)

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on your computer?", 68.16% of those respondents who had SaveNow on their computers responded "No." (Neal Dec., Ex. E.)

D. Defendant WhenU's Theory of the Case

According to Avi Naider, CEO of WhenU.com, the SaveNow software was conceived to "revolutionize marketing from implied interest, interests that are deducted [sic] based on who a consumer is and what their personal information is, to actual interests, when you shop, when you travel, when you invest. And that's why we named the company WhenU.com." (Tr. at 24.) Mr. Naider testified that the way the SaveNow software works is that

> the software runs in the background, and it doesn't require anything of the user. That's the point. Meaning if the user actually has to go and start saying to the software, OK, fine, offers on travel, they can do that through a search engine. This is a piece of software that is designed to remind the user, to push information to the user. So the user is on the Internet, they're looking at, let's say, travel or any other type of activity. The software, in a separate window, will deliver, or it may deliver, an ad to them that's relevant based on their in-the-moment activity.

(Tr. at 27, emphasis added.)

Mr. Naider testified that the SaveNow program performs "contextual marketing," which Mr. Naider defined as "delivering something to a consumer when they need it." (Tr. at 29.) As an example of contextual marketing, Mr. Naider discussed a receipt he had received after completing a grocery-store purchase of, among other things, a lactose-free, non-dairy milk product. Printed at the bottom of the store receipt was a coupon for a lactose-free, non-milk product, which Mr. Naider testified he received because a marketing company had identified his potential preferences from his purchasing behavior. (Tr. at 31.)

Mr. Naider analogized the operation of the pop-up windows generated by the SaveNow software to the functioning

of several other common software programs. Specifically, using images from computer screen captures, Mr. Naider demonstrated that, in Windows, it is possible to have multiple windows, containing unrelated program applications, running at the same time. (Tr. at 36.) Mr. Naider continued, by demonstrating that windows generated by a Windows "instant messaging" application[31] would pop up without warning while he was working in an unrelated spreadsheet program, in order to deliver messages sent over the Internet by friends. (Tr. at 37-38.) Mr. Naider also testified that on his home computer he received messages and alerts from programs,[32] that he had not triggered through any action of his own. (Tr. at 41.) Mr. Naider testified that, in general, computer users in the Windows operating environment expect to be working in multiple windows simultaneously, and that in "pushing" information to the user, the SaveNow software was acting much like other software applications [that opened new "pop-up" windows. (Tr. at 41, 49-50.) Mr. Naider also testified that the pop-up windows had "no physical relationship with the main browser window," that the SaveNow software had "absolutely no knowledge" of where the main browser window was, and that the pop-up advertisements did not alter the main browser window in any way. (Tr. at 51.)

At the hearing, Professor John Deighton, an expert in interactive marketing, testified that as a result of the structure of the Internet, a new publishing and retailing model has developed. (Tr. at 85-94.) Professor Deighton said the economic investment required to publish on the Internet is

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[31] The "instant messaging" windows demonstrated were generated by an America Online program; however Mr. Naider testified that other instant messaging applications behaved similarly. (Tr. at 42.)

[32] Mr. Naider referred specifically to a video software, called "Realplayer," which he testified "every once in a while, something pops in front of my screen from them." (Tr. at 41.)

much lower than in traditional publishing industries[11] and that, although 60 percent of the population of the United States is part of the Internet "audience," "no significant group of that audience is in any one place at any one time." (Tr. at 84-88.) As a result, Professor Deighton said that a new model has emerged, wherein publishing and retailing have "conjoined," and that individual websites are "a combination of publisher and marketplace," since it is expected that the websites will be read like a publication, but also an expectation that there will be competition, as in a marketplace. (Tr. at 88-90.) Professor Deighton said that the WhenU software is an example of a model for retailing and publishing that "will return to the Internet some of the cost that was made to build the Internet." (Tr. at 89.)

Professor Deighton also testified that a preliminary injunction in this case would have "some short-term immediate impacts and some chilling long-term impacts." (Tr. at 98.) Specifically, Professor Deighton testified that consumers who had elected to use the WhenU.com software would be frustrated in their attempts to continue to use it, and that competition in the advertising sector might be chilled. (Tr. at 98-99.) Dr. Deighton testified further:

> The Internet is not a decade old and we have seen enormous fortunes made and lost. That process must be allowed to continue if the right model to support this wonderful institution is going to be discovered. I think that unnecessarily harsh restrictions on this initiative would discourage others from similar initiatives or improved initiatives.

(Tr. at 100.)

Defendants did not conduct their own survey to determine whether the SaveNow software caused consumer confusion.

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[11] Professor Deighton testified that "creating a website is within the reach of a child." (Tr. at 87.)

Instead, to challenge the validity of Mr. Neal's survey, Defendant WhenU.com produced Dr. Jacob Jacoby. Dr. Jacoby attacked Mr. Neal's research on a number of fronts.

Dr. Jacoby testified that because Mr. Neal failed to show any WhenU.com ads to survey respondents, survey respondents could not have had a "clear indication in their minds as to what [Mr. Neal] meant" when he defined pop-up ads. (Tr. at 290-91.)

Dr. Jacoby also testified that if Mr. Neal had intended to conduct a survey that revealed what respondents recalled about pop-up advertising, Mr. Neal should have asked the survey respondents what they recalled about advertising, instead of providing his own definition of pop-up advertisements, followed by questions about pop-up advertisements. (Tr. at 294.) Dr. Jacoby testified that he had "never seen recall used in assessing likelihood of confusion," (Tr. at 295.), and that use of recall threatened the validity of Mr. Neal's survey, since there was nothing to guarantee that pop-up advertisements the survey respondents had seen were generated by the SaveNow program. (Tr. at 296.) Dr. Jacoby testified that this was significant because pop-up advertisements vary in size, placement, and content. (Tr. at 297.) Dr. Jacoby testified that the recall problem could have been avoided by use of an example, in order to distinguish SaveNow advertisements from other pop-up advertisements. (Tr. at 298.) In sum, Dr. Jacoby testified that Mr. Neal's suggestion of a definition of pop-up advertisements was "a leading, loaded kind of language." (Tr. at 304.)

Dr. Jacoby further testified that Mr. Neal inappropriately colored the language of questions, by suggesting that pop-up advertisements appeared "on a website" instead of on the computer screen, and by telling the respondents that pop-up advertisements were not authorized by the websites on which they appeared. (Tr. at 306-09.)

Avi Naider, the president of WhenU.com, testified that a preliminary injunction would result in damage to his company in excess of $10,000,000 over twelve months. (Tr. at 34.) His estimate of this amount was based on current or future advertisers who would cancel their advertising orders in order to avoid negative publicity or possible litigation. (Tr. at 33, 165.)

In a declaration attached to Defendant Vision Direct's Memorandum of Law, Ian Mummery stated:[34]

> A preliminary injunction against Vision Direct would undoubtedly damage it, possibly irreparably. Vision Direct's reputation is unblemished and must remain so if Vision Direct is to continue its spectacular success. Customers will undoubtedly be hesitent [sic] to purchase contact lenses from a company that has been enjoined.

(Mummery Dec. P 9).

In addition, Mr. Mummery's declaration stated that on September 17, 2002, three weeks before this action was filed, Defendant Vision Direct voluntarily instructed its co-defendant, WhenU.com, to cease placing "pop-up" ads on Plaintiff's website, and that Vision Direct has no intention of resuming use of the offending pop-up advertising. (Mummery Dec. P 7, 8.) Mr. Mummery's declaration also stated that Defendant Vision Direct had sued its co-defendant When U.com and Coastal Contacts, an Internet replacement contact lens retailer who is not a party in this case, for conduct that is substantially the same as that for which Vision Direct is being sued in this case.[35] (Mummery Dec. P 8.)

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[34] Mr. Mummery's declaration was attached to Vision Direct's opposition to Plaintiff's motion. However, although Mr. Mummery makes his declarations upon personal knowledge, (Mummery Dec. P 1), he does not identify what position he holds at Vision Direct. Mr. Mummery was not called to testify at the Preliminary Injunction hearing.

[35] On December 11, 2002, Defendant Vision Direct filed a separate action, Vision Direct v. WhenU.Com and Coastal Contacts, Inc., 02-Civ-

II. DISCUSSION

A. Standard for Preliminary Injunction

It is well-settled in this Circuit that "a party seeking a preliminary injunction must demonstrate (1) the likelihood of irreparable injury in the absence of such an injunction, and (2) either (a) likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation plus a balance of hardships tipping decidedly toward the party requesting the preliminary relief."[36] *Fed. Express Corp. v. Fed. Espresso, Inc.*, 201 F.3d 168, 173 (2d Cir. 2000); *Procter & Gamble Co. v. Chesebrough-Pond's, Inc.*, 747 F.2d 114, 118 (2d Cir. 1984); *Coca-Cola Co. v. Tropicana Prods., Inc.*, 690 F.2d 312, 314-15 (2d Cir. 1982); *United States v. Siemens Corp.*, 621 F.2d 499, 505 (2d Cir. 1980).

9788 (DAB), against WhenU.com, its co-defendant in this case, and against Coastal Contacts, a Canadian corporation that is not a party in this case. With the complaint in 02-Civ-9788, Vision Direct also filed an application for an *ex parte* Temporary Restraining Order. The Court held a conference call with counsel for all parties to both cases on December 16, 2002. Based on that call, on December 18, 2002 the Court denied Vision Direct's application for a Temporary Restraining Order, and denied the parties' requests for full discovery in this case until the disposition of the Preliminary Injunction motion.

[36] Citing *Abdul Wali v. Coughlin*, 754 F.2d 1015, 1025 (2d Cir. 1985). Plaintiff argues that, to show a likelihood of success on the merits, a party moving for a preliminary injunction "need not show that success is an absolute certainty," but that instead a movant need only show that the probability of success is "better than 50%" despite the fact that "considerable room for doubt" may remain about the ultimate case outcome. (Memorandum in Support at 12). Plaintiff misstates the relevant standard, since the Second Circuit specifically noted in Abdul Wali that where, as here, a grant of preliminary injunctive relief would do more than merely maintain the status quo, the movant "must show a substantial likelihood of success on the merits, i.e., that their cause is considerably more likely to succeed than fail." 754 F.2d 1015, 1026 *overruled on other grounds*, 482 U.S. 342, 107 S. Ct. 2400, 96 L. Ed. 2d 282 (1987).

B. Copyright Claims

To establish a prima facie case of copyright infringement, a Plaintiff must show "1) Ownership of valid copyright, and 2) Copying of constituent elements of the work that are original." *Feist Publications Inc. v. Rural Tel. Serv. Co., Inc.*, 499 U.S. 340, 361, 113 L. Ed. 2d 358, 111 S. Ct. 1282 (1991); *On Davis v. The Gap, Inc.*, 246 F.3d 152, 158-59 (2d Cir. 2001) (finding on the basis of this standard that "the owner of a copyright is thus entitled to prevail in a claim for declaratory judgment of infringement without showing entitlement to monetary relief").

Plaintiff has filed as an exhibit to its Complaint a certificate of registration with the United States Copyright Office of the "1800 Contacts Web site," (Memorandum in Support at 4; Complaint Exh. D); this serves as prima facie evidence of valid ownership of a copyright. 17 U.S.C. § 410(c). This protection extends to both the computer code for the website and the screen displays of the website. *OP Solutions, Inc. v. Intellectual Property Network LTD*, 1999 U.S. Dist. LEXIS 16639, at *10 (S.D.N.Y. 1999) (noting that the protection accorded "non-literal" elements of a computer program extends to screen displays); *Harbor Software, Inc. v. Applied Systems, Inc.*, 925 F. Supp. 1042, 1045 (S.D.N.Y. 1996) (finding sufficient expressive choices in the selection and arrangement of information compiled in screen reports and displays to satisfy the minimal requirement of originality to warrant protection).

Plaintiff alleges that Defendants have "copied" constituent elements of Plaintiff's website in the "broad sense of invasion of one of the exclusive rights secured to copyright owners under the Copyright Act." (Pl. Oct. 9, 2002 at 28) (quoting *Dynamic Solutions, Inc. v. Planning & Control, Inc.*, 646 F. Supp. 1329, 1337 n.12 (S.D.N.Y. 1986)). Plaintiff argues that the 1-800 Contacts website, as perceived by a SaveNow

user,[17] appears differently than the copyrighted website, and that the website's appearance has therefore been "modified and that Defendants' popup scheme caused this modification." (Pl. February 28, 2003 at 7). Specifically, Plaintiff alleges that Defendants have invaded Plaintiff's exclusive right to display the 1-800 Contacts website, in violation of 17 U.S.C. § 106 (1), and its exclusive right to prepare derivative works based on the 1-800 Contacts website, secured to Plaintiff under 17 U.S.C. § 106(2).

1. Display Right, 17 U.S.C. § 106(1)

Plaintiff alleges that Defendants have invaded Plaintiff's exclusive right to display the 1-800 Contacts website. 17 U.S.C. § 106(1). Plaintiff argues it gives computer users a license to "use and display" its website, but does not give them a license to alter the website or change its appearance in any way. Plaintiff argues that, by delivering pop-up adver-

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[17] Plaintiff argues that, under *New York Times Co. v. Tasini*, 533 U.S. 483, 150 L. Ed. 2d 500, 121 S. Ct. 2381 (2001), "this Court must view Plaintiff's website as would a PC user surfing the web in order to determine whether Defendant modified Plaintiff's copyrighted works." Plaintiff appears to read *Tasini* too broadly. (Pl. Feb. 28, 2003 at 7). In Tasini, the Supreme Court held that the privilege accorded a newspaper, as a collective work copyright owner under § 201(c) of the Copyright Act, to reproduce and distribute parts of a collective work did not shield the newspaper from liability for permitting electronic publishers to include the work of individual authors in electronic online Databases. *Tasini*, 533 U.S. at 500. The Court explained that "in determining whether the Articles have been reproduced and distributed 'as part of' a 'revision' of the collective works in issue, we focus on the Articles as presented to, and perceptible by, the user of the Databases." *Tasini*, 533 U.S. at 499-500. Although the Tasini Court turned to the perceptions of the computer user to determine whether articles had been reproduced and distributed "as part of" a "revision" of collective works for purposes of § 201(c), *Tasini* does not require this Court to "view Plaintiff's website as would a PC user surfing the web in order to determine whether Defendant modified Plaintiff's copyrighted works" in preparing a derivative work in violation of 17 U.S.C. § 106(2).

tisements to a SaveNow user's computer while the user views Plaintiff's website, Defendants create a new screen display that incorporates Plaintiff's copyrighted work, thereby infringing Plaintiff's exclusive right to display its copyrighted work. (Memorandum in Support at 29).

For this Court to hold that computer users are limited in their use of Plaintiff's website to viewing the website without any obstructing windows or programs would be to subject countless computer users and software developers to liability for copyright infringement and contributory copyright infringement, since the modern computer environment in which Plaintiff's website exists allows users to obscure, cover, and change the appearance of browser windows containing Plaintiff's website.

Without authority or evidence for the claim that users exceed their license to view the copyrighted 1-800 Contacts website when they obscure the website with other browser windows (including pop-up ads generated by the SaveNow program), Plaintiff has little basis for its claim that Defendants have infringed its display right.

2. Derivative Works Right, 17 U.S.C. § 106(2)

Plaintiff also alleges that Defendants have invaded Plaintiff's exclusive right to prepare derivative works based on the 1-800 Contacts website, secured to Plaintiff under 17 U.S.C. § 106(2).

Section 106 of the Copyright Act provides that "the owner of copyright under this title has the exclusive right to . . . prepare derivative works based upon the copyrighted work." 17 U.S.C. § 106. However, Plaintiff has failed to show that Defendants have created a "derivative work" that infringes Plaintiff's exclusive rights under § 106(2).

Plaintiff argues that, by delivering pop-up advertisements to a SaveNow user's computer while the user views Plaintiff's website, Defendants are adding a Vision Direct adver-

tisement to Plaintiff's copyrighted screen display, thus creating a derivative of the Plaintiff's copyrighted screen display, and in the process violating "two fundamental tenets of copyright law—exceeding the license granted and destroying the author's control over the manner in which its work is presented." (Pl. Oct. 9, 2002 at 30).

For the reason set forth above, to the extent Plaintiff's derivative work argument relies on a theory that Defendants cause or contribute to copyright infringement by a SaveNow user when viewing Plaintiff's copyrighted screen display, in excess of the license granted by Plaintiff,[38] this argument fails.

Plaintiff's second theory is that Defendants have created a derivative work by adding to or deleting from Plaintiff's copyrighted website, and therefore have transformed or recast the website, in derogation of Plaintiff's exclusive derivative work right. (Pl Oct. 9, 2002 at 29.) Plaintiff argues that to infringe their derivative work right, Defendants need not have made a copy of the original work in order to create a derivative work,[39] and that to violate its protected right to prepare derivative works, Defendants "need only transform or recast the copyrighted work in some way," as by "adding to or deleting from" Plaintiff's copyrighted website. (Pl. Oct. 9, 2002 at 29.) Plaintiff analogizes the pop-up ads in this case to advertisements added to and interspersed throughout the text of a copyrighted book in *National Bank of Commerce v. Shaklee Corp.*, 503 F. Supp. 533 (W.D. Tex. 1980), which were found to be "unauthorized additions" to the book text, in violation of the book author's copyright. (Pl. Oct. 9, 2002

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[38] Memorandum in Support, at 28 (citing *Matthew Bender & Co., Inc. v. West Publ'g Co.*, 158 F.3d 693 (2d Cir. 1998)).

[39] Plaintiff cites *Aymes v. Bonelli*, 47 F.3d 23, 25 (2d Cir. 1995) as support for this proposition. However, in Aymes the defendant conceded that it had altered the computer program at issue and thereby created a "derivative work." *Aymes*, 47 F.3d at 25.

at 30). Plaintiff's argument fails because Defendants have not created a "derivative work."

In order for Plaintiff's derivative work right to have been infringed, the Court must find that the screen display of the 1-800 Contacts website, with Defendant's pop-up ads, is in fact a "derivative work," as defined at 17 U.S.C. § 101.

A "derivative work" is:

> . . . a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifycations which, as a whole, represent an original work of authorship, is a 'derivative work'.

17 U.S.C. § 101 (emphasis added).

In general, copyright protection is limited to protection of

> . . . original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device.

17 U.S.C. § 102.

A work is "fixed" in a tangible medium of expression:

> . . . when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced or otherwise communicated for a period of more than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is "fixed" for purposes of this title if a fixation of the work is being made simultaneously with its transmission.

17 U.S.C. § 101.

Applying the "fixation" requirement here, Plaintiff has failed to show that its website, and Defendants' pop-up advertisements are "sufficiently permanent or stable to permit it to be perceived, reproduced or otherwise communicated for a period of more than transitory duration." 17 U.S.C. § 101. Indeed, Defendants' pop-up ad windows may be moved, obscured, or "closed" entirely—thus completely disappearing from perception, with a single click of a mouse. (Tr. at 63-64.) Moreover, to the extent pop-up advertisements fit the description of "transmitted images," they are not "fixed" works, since there is no evidence that a fixation is made "simultaneously with" the pop-up advertisements' "transmission" to the viewer of the website.[40] 17 U.S.C. § 101.

Given that the screen display of the 1-800 Contacts website with Defendant's pop-up ads is not "fixed in any medium," it is not sufficiently "original" to qualify as a derivative work under the second sentence of 17 U.S.C. § 101.

The first sentence of 17 U.S.C. § 101 also allows "non-original" works to qualify for "derivative" work status. Since the screen display of the 1-800 Contacts website with Defendant's pop-up ads is not a "translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation," for Plaintiff's to prevail, it must show that Defendants have "recast, transformed, or adapted" the 1-800 Contacts website. None of these three actions seems to describe what is done to Plaintiff's website by Defendants' pop-up ads, since Plain-

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[40] The lack of any "fixation" here explains why Plaintiff errs in its assertion that this case is analogous to *National Bank of Commerce v. Shaklee Corp.*, 503 F. Supp. 533 (W.D. Tex. 1980). While in this case any "derivative" work created when a computer user views Plaintiff's copyrighted website as modified by Defendants' pop-up advertisements is not fixed in any tangible medium of expression, the books published with unauthorized interspersed advertisements in *National Bank of Commerce v. Shaklee Corp.*, were clearly "fixed" in print.

tiff's website remains "intact" on the computer screen. Defendants' pop-up ads may "obscure" or "cover" a portion of Plaintiff's website—but they do not "change" the website, and accordingly do not "recast, transform or adapt" the website. *Lee v. A.R.T. Company*, 125 F.3d 580, 582 (7th Cir. 1997) (mounting plaintiff's art works on ceramic tiles did not create "derivative work," and therefore did not infringe plaintiff's copyright). Moreover, if obscuring a browser window containing a copyrighted website with another computer window produces a "derivative work," then any action by a computer user that produced a computer window or visual graphic that altered the screen appearance of Plaintiff's website, however slight, would require Plaintiff's permission. A definition of "derivative work" that sweeps within the scope of the copyright law a multi-tasking Internet shopper whose word-processing program obscures the screen display of Plaintiff's website is indeed "jarring," and not supported by the definition set forth at 17 U.S.C. § 101. *See id.*

Since Plaintiff has failed to demonstrate that Defendants have invaded the exclusive rights secured to Plaintiff under the Copyright Act, there is little likelihood that Plaintiff will succeed on the merits of its copyright claims. *Dynamic Solutions, Inc. v. Planning Control, Inc.*, 646 F. Supp. 1329, 1337 n.12 (S.D.N.Y. 1986). In view of this finding, there is no need to address the question of irreparable injury on these grounds.

Accordingly, Plaintiff's motion for a preliminary injunction based on the Defendants' alleged infringement of Plaintiff's copyrights is DENIED.

C. Trademark Infringement

The Lanham Act prohibits the use in commerce, without consent, of any "registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods," in a way that is likely to cause confusion. 15 U.S.C.

§ 1114(1)(a). The act also prohibits the infringement of any unregistered, common law trademark. 15 U.S.C. § 1125(a)(1); *Time, Inc. v. Petersen Publishing Co.*, 173 F.3d 113, 117 (2d Cir. 1999); *Genesee Brewing Co., Inc. v. Stroh Brewing Co.*, 124 F.3d 137, 142 (2d Cir. 1997). Under 15 U.S.C. § 1125(a)(1), the plaintiff has the burden of proving:

> a) ownership of a valid mark that is entitled to protection under the Lanham Act;
>
> b) Defendant's use of the mark is likely to cause confusion within the consuming public.[41]

In a trademark infringement case, "a showing of likelihood of confusion establishes both a likelihood of success on the merits and irreparable harm . . . assuming that the plaintiff has a protectible mark." *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 73 (2d Cir.1988) (citations omitted).

1. "Use" under the Lanham Act

Defendant WhenU.com argues it is not using Plaintiff's mark for purposes of the Lanham Act. Defendant notes that, as a result of features of the Windows operating environment that allow users to open multiple windows at one time, Defendant WhenU's SaveNow program generates new windows, displayed simultaneously with other pages. (Naider Aff. P 40-42; WhenU.com Jan. 31, 2003 at 15-16). As a result, windows generated by SaveNow may be visible at the same time as a window containing Plaintiff's website, but WhenU.com argues this is not "use" within the Lanham Act. Defendant WhenU.com argues that "nothing is more fundamental than that a plaintiff cannot prevail on a claim for trademark infringement, pursuant to *Section 1114 of the Lanham Act*, or unfair competition, pursuant to *Section*

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[41] *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 390 (2d Cir. 1995) (internal citations omitted); *Estee Lauder, Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1508 (2d Cir. 1997).

1125(a) of the Lanham Act, unless it can show that the defendant is using one of its marks in commerce in a way that is likely to cause confusion." (WhenU.com Jan. 31, 2003 at 17-18.)

A trademark is "used in commerce" for purposes of the Lanham Act "when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services." 15 U.S.C. § 1127.

Defendants here use Plaintiff's mark in two ways. First, in causing pop-up advertisements for Defendant Vision Direct to appear when SaveNow users have specifically attempted to access Plaintiff's website—on which Plaintiff's trademark appears - Defendants are displaying Plaintiff's mark "in the . . . advertising of" Defendant Vision Direct's services. Both Defendant Vision Direct and Plaintiff 1-800 Contacts are retail providers of replacement contact lenses, and therefore are unquestionably providing services "rendered in commerce." SaveNow users that type Plaintiff's website address into their browsers are clearly attempting to access Plaintiff's website because of prior knowledge of the website, knowledge that is dependent on Plaintiff's reputation and goodwill. SaveNow sers that type Plaintiff's trademark "1-800 Contacts" into a search engine in an attempt to find the URL for Plaintiff's website are exhibiting a similar knowledge of Plaintiff's goods and services, and pop-up advertisements that capitalize on this are clearly using Plaintiff's mark. Thus, by causing pop-up advertisements to appear when SaveNow users have specifically attempted to find or access Plaintiff's website, Defendants are "using" Plaintiff's marks that appear on Plaintiff's website. 15 U.S.C. § 1127.

Second, Defendant WhenU.com includes Plaintiff's URL, www.1800contacts.com, in the proprietary WhenU.com di-

rectory of terms that triggers pop-up advertisements on Save-Now users' computers. (Tr. at 134.) In so doing, Defendant WhenU.com "uses" Plaintiff's mark, by including a version of Plaintiff's 1-800 CONTACTS mark, to advertise and publicize companies that are in direct competition with Plaintiff.

Accordingly, the Court finds that Defendants have "used" Plaintiff's mark in commerce. *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176, 185-86 (W.D.N.Y. 2000) (finding defendants to have "used in commerce" plaintiffs' mark where defendants: 1. used plaintiffs' trademark as the domain name for defendants' web site—which contained a link to defendants' other web site that was operated for commercial purposes; 2. used plaintiffs' trademark on the Internet, an international network; and 3. affected plaintiffs' ability to offer their services in commerce); *Planned Parenthood Fed'n of Am., Inc. v. Bucci*, 1997 U.S. Dist. LEXIS 3338, 1997 WL 133313, at *3 (S.D.N.Y. Mar. 24, 1997), *aff'd, 152 F.3d 920 (2d Cir.1998), cert. denied*, 525 U.S. 834, 119 S. Ct. 90, 142 L. Ed. 2d 71 (1998).

Defendant errs in construing use "in connection with the services" to require "use as a trademark to identify or distinguish products or services." In support of its too narrow reading of the definition of "use," Defendant cites *Lone Star Steakhouse v. Longhorn Steaks*, 106 F.3d 355, 361 (11th Cir. 1997). In Lonestar, the 11th Circuit upheld the district court's denial of the plaintiff restaurant owner's motion for a preliminary injunction, because plaintiffs had not "used" the service mark at issue prior to the defendant's registration of a similar mark. The court held that, as a matter of law, use of the mark "on a sign displayed on an interior wall of Plaintiff's . . . restaurant . . . did not constitute a valid service mark use because it was not being used to identify or distinguish the services being offered." 106 F.3d at 361. The facts here are not controlled by the *Lone Star* court's reasoning. First, the question here is not whether Plaintiff adequately used its

mark to establish a valid service mark; the question is whether Defendant is "using" Plaintiff's trademark. Second, even if this Court were to find that the standard for "use" required to establish a valid service mark is the same as the standard for "use" in the infringement context, in any case WhenU's use exceeds that of the plaintiff in *Lone Star*. Here, WhenU.com is doing far more than merely "displaying" Plaintiff's mark. WhenU's advertisements are delivered to a SaveNow user when the user directly accesses Plaintiff's website—thus allowing Defendant Vision Direct to profit from the goodwill and reputation in Plaintiff's website that led the user to access Plaintiff's website in the first place.

Defendant WhenU.com also cites *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 86 F.3d 619, 623-25 (6th Cir. 1996), wherein the Sixth Circuit reversed the district court, which had found that the defendant—who used a 1-800 telephone number that differed from plaintiff's 1-800 HOLIDAY telephone number in the use of a "zero" instead of the "o"—had "used" plaintiff's mark because there was a "clear violation of the spirit, if not the letter, of the Lanham Act." The Sixth Circuit, noting that § 32 of the Lanham Act forbids the "use in commerce [of] any reproduction, counterfeit, copy, or colorable imitation of a registered mark . . . which . . . is likely to cause confusion," reversed because the defendants did not actually "use" the plaintiff's mark, since plaintiff's number was 1-800 HOLIDAY,[42] and defendants were using 1-800 409-4329, and also because the defendants "did not create any confusion," since the district court found that the defendants had "never advertised or publicized anything to do with Holiday Inns or its telephone number." *Holiday Inns, Inc.*, 86 F.3d at 623-25 (emphasis in original). Again, this case does not support Defendant WhenU.com's claim that it

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[42] On a telephone keypad, 1-800 HOLIDAY translates numerically as 1-800 469-4329.

has not "used" Plaintiff's website within the meaning of the Lanham Act.[43]

b. Confusion Under the Lanham Act

Confusion for purposes of the Lanham Act is shown where there is a "likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question" or where "consumers are likely to believe that the challenged use of a trademark is somehow sponsored, endorsed, or authorized by its owner." *New York Stock Exchange, Inc. v. New York, New York Hotel LLC*, 293 F.3d 550 (2d Cir. 2002) (internal citations and quotations omitted). Thus, "confusion" for purposes of the Lanham Act includes confusion "of any kind, including confusion as to source, sponsorship, affiliation, connection or identification." *Guinness United Distillers & Vintners*, 2002 U.S. Dist. LEXIS 12722, 2002 WL 1543817, *2 (S.D.N.Y. 2002); *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F. Supp. 2d 410, 2002 WL 1870307 at *2 (S.D.N.Y. 2002).

Under the Lanham Act, actionable "confusion" may take a number of forms. In some cases, there may be actual confusion among members of the consuming public, and the plaintiff may be able to demonstrate—even at the preliminary injunction stage of the case—such actual confusion. E.g., *Register.Com, Inc. v. Domain Registry of America, Inc.*, 2002

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[43] While this case was sub judice, Defendants called to the Court's attention two decisions denying a preliminary injunction, by finding that "use" did not occur. In *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734, 2003 WL 22808692, *27 (E.D.Mich. 2003), the court determined that inclusion in SaveNow's proprietary directory of the Plaintiff's trademark was not "use," based on its reading of Sixth Circuit case law. In *U-Haul Intern., Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723, 728 (E.D.Va. 2003), the court made a similar ruling based on a factual finding that WhenU.com uses the marks for a "pure machine-linking function." This Court disagrees with, and is not bound by these findings.

U.S. Dist. LEXIS 24795, 2002 WL 31894625, *11 (S.D.N.Y. 2002); *Les Ballets Trockadero de Monte Carlo, Inc. v. Trevino*, 945 F. Supp. 563 (S.D.N.Y. 1996) (confusion among consumers, plaintiff's employees, and defendant's friends sufficient to show actual confusion).

However, a plaintiff may be unable to prove actual confusion in the market—in some cases because the market for a particular mark or product has not yet developed, or because the plaintiff has acted early enough to prevent actual confusion from developing. Thus, although in order to support a claim of infringement a plaintiff must show a probability, not just a possibility, of confusion, *Streetwise Maps, Inc. v. Vandam, Inc.*, 159 F.3d 739, 743 (2d Cir.1998), a likelihood of confusion is actionable even absent evidence of actual confusion. E.g., *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70 (2d Cir. 1988) (finding likelihood of confusion despite lack of evidence of actual confusion); *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1227 (2d Cir. 1987) (finding lack of actual confusion did not undermine district court finding of likelihood of confusion), overruled on other grounds, 973 F.2d 1033, 1043-44 (2d Cir.1992); *Lexington Management Corp. v. Lexington Capital Partners*, 10 F. Supp. 2d 271, 286 (S.D.N.Y. 1998) (lack of evidence of actual confusion neither supported nor detracted from plaintiff's motion for preliminary injunction); *Clinique Laboratories, Inc. v. Dep Corp.*, 945 F. Supp. 547, 555 (S.D.N.Y. 1996).

Confusion need not be limited to the "point of sale" to be actionable under the Lanham Act. The Second Circuit has held that confusion among non-purchasers, arising from use of a mark outside of a retail environment after any sale or purchase of a product has concluded, is actionable under the Lanham Act.[44] *Clinique Laboratories, Inc.*, 945 F. Supp. at

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[44] In *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 631 F. Supp. 735 (S.D.N.Y. 1985), the plaintiff sought a declaration that the pattern of

558 (S.D.N.Y. 1996) (use of disclaimers insufficient to address post-sale confusion among consumers).

Confusion that occurs prior to a sale may also be actionable under the Lanham Act. One such type of actionable pre-sale confusion, "initial interest confusion," occurs when a consumer, seeking a particular trademark holder's product, is instead lured away to the prod[illegible] of a competitor because of the competitor's use of a similar mark, even though the consumer is not actually confused about the source of the products or services at the time of actual purchase. *See Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987).

Although the term "initial interest confusion" was coined in a Ninth Circuit case, *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999), the principle that such confusion is actionable as grounds for a trademark infringement action originated in this Circuit. *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987); *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v.*

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stitching on the back pockets of its jeans, which was virtually identical to the trademarked stitch pattern on the back pocket of the declaratory defendant's jeans—"two curved arches intercepting at midpoint"—did not infringe defendant's trademark. *Id.* at 737-39.

The district court held that, even if there were little likelihood of point-of-sale confusion among consumers, there was a "substantial likelihood of confusion among prospective purchasers viewing the marks in a post-sale context," and accordingly granted summary judgment for defendants. *Id.* at 747-48.

On appeal, the Second Circuit reaffirmed that harm to a trademark owner—resulting from the likelihood that misuse of a mark might attract potential consumers to the junior user's product "based on the reputation built up by [the trademark owner]"—was actionable under the Lanham Act, and that "the Lanham Act was designed to prevent a competitor from such a bootstrapping of a trademark owner's goodwill . . ." *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986).

Steinway & Sons, 523 F.2d 1331, 1342 (2d Cir. 1975) (finding harm to the defendant in the likelihood that a consumer, upon hearing plaintiff's name and thinking it had some connection with defendant's name, would consider plaintiff's product on that basis, since plaintiff's name would attract potential customers based on the reputation built up by the defendant for many years); *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986) (acknowledging that the likelihood of confusion among potential customers is actionable harm under the Lanham Act); *Jordache Enters., Inc.*, 841 F. Supp. 506, 514-15 (S.D.N.Y. 1993) ("Types of confusion that constitute trademark infringement include where . . . potential consumers initially are attracted to the junior user's mark by virtue of its similarity to the senior user's mark, even though these consumers are not actually confused at the time of purchase".)

In *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 1986 U.S. Dist. LEXIS 26013, 229 U.S.P.Q. 890, (S.D.N.Y. 1986), the district court found that plaintiff oil company would be harmed by "the likelihood that potential purchasers will think that there is some connection or nexus between the products and business of [defendant] and that of [plaintiff]." 229 U.S.P.Q. at 894. On appeal, the Second Circuit upheld the district court's finding, noting specifically that the district judge had

> found a likelihood of confusion not in the fact that a third party would do business with Pegasus Petroleum believing it related to Mobil, but rather in the likelihood that Pegasus Petroleum would gain crucial credibility during the initial phases of a deal. For example, an oil trader might listen to a cold phone call from Pegasus Petroleum—an admittedly oft used procedure in the oil trading business—when otherwise he might not, because of the possibility that Pegasus Petroleum is related to Mobil.

Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 259 (2d Cir. 1987).

Application of this principle to the Internet context was recognized in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999), in which the Ninth Circuit held that the Lanham Act bars a website owner from including in its HTML code any term that is confusingly similar to a competitor's mark. In Brookfield, the court found that the defendant's use of terms confusingly similar to plaintiff's trademarked term "MovieBuff" in metatags[45] placed in defendant's website would result in initial interest confusion "in the sense that, by using 'moviebuff.com' or 'MovieBuff' to divert people looking for 'MovieBuff' to its website, [defendant] improperly benefits from the goodwill that [plaintiff] developed in its mark." *Brookfield*, 174 F.3d at 1062. The court held that the resulting likelihood of initial interest confusion was actionable under the Lanham Act.[46] *Brookfield*, 174 F.3d at 1063.

District courts in this circuit have noted that, on the Internet, initial interest confusion occurs when "potential consumers of one website will be diverted and distracted to a competing website." *Bihari v. Gross* 119 F. Supp. 2d 309, 319 (S.D.N.Y. 2000) ("In the cyberspace context, the concern is that potential customers of one website will be diverted and

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[45] A metatag is "buried code" that is not visible to Internet users, which is referenced by domain name search engines or directories to determine whether a website corresponds to descriptive keywords entered into the search engine by a computer user. Those websites with metatags corresponding to the requested keywords appear on the computer screen as the search engine's response. *Brookfield*, 174 F.3d at 1061-62 n.23.

[46] The facts of the case required the 9th Circuit to clarify whether use of a competitor's mark in a website's "metatags" infringed the competitor's rights under the Lanham Act. The Ninth Circuit defined "metatags" as "HTML code not visible to Web users but used by search engines in determining which sites correspond to the keywords entered by a Web user." *Brookfield Communications, Inc.*, 174 F.3d at 1061 n.23.

distracted to a competing website. The harm is that the potential customer believes that the competing website is associated with the website the customer was originally searching for and will not resume searching for the original website."); *BigStar Entertainment, Inc. v. Next Big Star, Inc.*, 105 F. Supp. 2d 185, 207 (S.D.N.Y. 2000) ("The concern is that many of those initially interested potential customers of plaintiff's would be diverted and distracted by defendants' site and would either believe that defendants' site is associated with plaintiff's or would not return to plaintiff's domain."); *Planned Parenthood*, 1997 U.S. Dist. LEXIS 3338, 1997 WL 133313, at *12 (Defendant's use of a domain name and home page address similar to plaintiff's mark "on their face, causes confusion among Internet users and may cause Internet users who seek plaintiff's web site to expend time and energy accessing defendant's web site."); *New York State Soc. of Certified Public Accountants v. Eric Louis Assoc., Inc.*, 79 F. Supp. 2d 331, 342 (S.D.N.Y. 1999) (Use by defendant of a domain name and metatag similar to plaintiff's common law service mark "caused a likelihood of confusion because it created initial interest confusion.").

As part of its argument that Defendants' pop-up advertising results in a likelihood of confusion, Plaintiff argues it has been injured by "initial interest confusion." (Pl. Oct. 19, 2002 at 20-21). Defendant WhenU.com devotes only a footnote to its argument that Plaintiff cannot show initial interest confusion "because consumers are not drawn to another online location without knowing where they are being taken." (Memorandum in Opposition at 24 n.14 (citing *Bigstar Entm't, Inc. v. Next Big Star, Inc.*, 105 F. Supp. 2d 185, 207-208 (S.D.N.Y. 2000)). Defendant apparently misunderstands both the doctrine of initial interest confusion and the context of its quote from *Bigstar*. The harm to Plaintiff from initial interest confusion lies not in the loss of Internet users who are unknowingly whisked away from Plaintiff's website; instead, harm to the Plaintiff from initial interest confusion lies in the

possibili[illegible]hat, through the use of pop-up advertisements Defendant Vision Direct "would gain crucial credibility during the initial phases of a deal." *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d at 259. *BigStar* in no way requires that a consumer be unaware that he or she is being drawn to another online location:

> Even if the customer quickly becomes aware of the competing source's actual identity and can rectify the mistake, the damage to the first user that the courts have identified manifest in three ways: the original diversion of the prospective customers' interest; the potential consequent effect of that diversion on the customer's ultimate decision whether or not to purchase caused by an erroneous impression that two sources of a product may be associated; and the initial credibility which may be accorded by the interested buyer to the junior user's products—customer consideration that otherwise may be unwarranted and that may be built on the strength of the senior user's mark, reputation and goodwill.

BigStar Entertainment, Inc. v. Next Big Star, Inc., 105 F. Supp. 2d 185, 207 (S.D.N.Y. 2000)

The Court finds that the principle of initial interest confusion is applicable in the specific context of Internet sales, and applies the *Polaroid* factors[47] "with an eye to how they bear on the likelihood that"[48] Defendants' pop-up advertisements will confuse consumers into thinking that Defendants

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[47] *See Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied*, 368 U.S. 820, 82 S. Ct. 36, 7 L. Ed. 2d 25 (1961).

[48] In *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986), the Second Circuit stated

> the Polaroid factors must be applied in the instant case with an eye to how they bear on the likelihood that the appellants' use of appellee's trademark stitching pattern will confuse consumers into thinking that appellee is somehow associated with appellants or has consented to their use of the stitching pattern regardless of labeling.

are somehow associated with Plaintiff or that Plaintiff has consented to their use of the pop-up advertisements. *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986).

3. Likelihood of Confusion

Traditionally, whether a mark is likely to cause confusion is determined by the familiar eight-factor test set forth by Judge Friendly in *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied*, 368 U.S. 820, 82 S. Ct. 36, 7 L. Ed. 2d 25 (1961). Under the Polaroid test, courts assess[49] the likelihood of consumer confusion by examining:

1) the strength of Plaintiff's Mark;

2) the similarity between the plaintiff's and defendant's marks;

3) proximity of the parties' services;

4) the likelihood that one party will "bridge the gap" into the other's product line;

5) the existence of actual confusion between the marks;

6) the good faith of the Defendant in using the mark;

7) the quality of the Defendant's services;

8) the sophistication of the consumers.

Polaroid, 287 F.2d at 495.

However, while a trial court considering the likelihood of confusion must evaluate the Polaroid factors,[50] the Second

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[49] "The ultimate conclusion as to whether a likelihood of confusion exists is not to be determined in accordance with some rigid formula. The Polaroid factors serve as a useful guide through a difficult quagmire. Each case, however, presents its own peculiar circumstances." *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986).

[50] "The steady application of Polaroid is critical to the proper development of trademark law, for it is only when the Polaroid factors are

Circuit has cautioned that the Polaroid factors are not always dispositive. *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739 (2d Cir. 1998); *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503 (2d Cir. 1997). Moreover, courts may consider other variables in evaluating the likelihood of confusion, and irrelevant factors may be abandoned. *See Gruner + Jahr USA Publishing v. Meredith Corp.*, 991 F.2d 1072, 1077 (2d Cir.1993). The unique facts of each case must be considered in evaluating the likelihood of confusion. *W.W.W. Pharm. Co., Inc. v. Gillette Co.*, 984 F.2d 567, 572 (2d Cir.1993); *Thompson Medical Co. v. Pfizer Inc.*, 753 F.2d 208, 214 (2d Cir. 1985) ("The complexities attendant to an accurate assessment of likelihood of confusion require that the entire panoply of elements constituting the relevant factual landscape be comprehensively examined. No single Polaroid factor is pre-eminent, nor can the presence or absence of one without analysis of the others, determine the outcome of an infringement suit.")

a. Strength of Plaintiff's Mark

In *W.W.W. Pharmaceutical Co., Inc. v. Gillette Co.*, 984 F.2d 567, 572 (2d Cir. 1993) limited on other grounds, *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 46 (2d Cir.1994), the Second Circuit set forth the test for the strength of a mark:

> The focus under this factor is on the distinctiveness of the mark, or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular, although possibly anonymous source. Turning on its "origin-indicating" quality in the eyes of the purchasing public, a mark's strength is assessed using two factors: (1) the degree to which it is inherently distinc-

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applied consistently and clearly over time that the relevant distinctions between different factual configurations can emerge." *New Kayak Pool Corp. v. R & P Pools, Inc.*, 246 F.3d 183 (2d Cir. 2001) (remanding for consideration of the Polaroid factors).

tive; and (2) the degree to which it is distinctive in the marketplace.

To gauge the inherent distinctiveness of a mark, courts have used four categories: generic, descriptive, suggestive, and arbitrary or fanciful. A generic mark is generally a common description of goods and is ineligible for trademark protection. A descriptive mark describes a product's features, qualities or ingredients in ordinary language, and may be protected only if secondary meaning is established. A suggestive mark employs terms which do not describe but merely suggest the features of the product, requiring the purchaser to use imagination, thought and perception to reach a conclusion as to the nature of goods . . . Fanciful or arbitrary marks are eligible for protection without proof of secondary meaning and with ease of establishing infringement.

984 F.2d at 572 (internal citations and quotations omitted).

Because Plaintiff's mark, 1-800 Contacts, "is not a common description of goods," the Court finds Plaintiff's mark is not generic. *Cline v. 1-888-Plumbing Group, Inc.*, 146 F. Supp. 2d 351 (S.D.N.Y. 2001) (finding the mark "1-888-PLUMBING" not generic, but instead descriptive).[51]

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[51] Defendant argues that "1-800 CONTACTS" is "merely" a phone number that uses the generic term "contacts," and that the 1-800 CONTACTS mark and logo are therefore entitled to protection only against confusingly similar phone numbers. (Memorandum in Opposition at 21-22.) However, the case Defendant cites in support of this argument, *Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675, 678 (2d Cir. 1989), does not limit the protection of telephone numbers against trademark infringement solely to "confusingly similar phone numbers." Instead, the court in Dial A Mattress stated

> the principles limiting protection for the use of generic terms serve to prevent a marketer from appropriating for its exclusive use words that must remain available to competitors to inform their customers as to the nature of the competitor's business or product. These

Plaintiff's 1-800 CONTACTS mark is not descriptive, since it does not convey an immediate idea of the ingredients, qualities, or characteristics of the contact lens products sold by Plaintiff, and neither informs a consumer about qualities, ingredients or characteristics nor points to contact lens' intended purpose, function or intended use, size, or merit. *Gruner + Jahr USA Publishing v. McNeil-P.P.C., Inc.*, 991 F.2d 1072, 1076 (2d Cir.1993); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976).

Plaintiff's 1-800 CONTACTS mark is clearly suggestive since, although it may take some imagination to grasp that what Plaintiff markets is contact lenses (as opposed to electrical contacts or business contacts), the mark suggests Plaintiff's product. Thus, the Court finds that since Plaintiff's mark is suggestive, it is inherently distinctive and satisfies the first prong of the strength test set forth supra.

The 1-800 CONTACTS mark is also distinctive in the marketplace. Plaintiff has invested significant sums in marketing its marks—in 2001, Plaintiff spent $ 27,118,000 on marketing. (Mathison Dec. at P 7.) Such efforts have generated significant sales—some $ 169,000,000 worth in 2001. (*Id.*) Over 221,800 people visited Plaintiff's website in the month of September, 2002. (Mathison Dec. at P 9.) These figures are persuasive evidence that Plaintiff has established distinctiveness in the marketplace. *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 631 F. Supp. 735, 741 (S.D.N.Y. 1985) (evidence of widespread advertising and promotion of defendants' product that featured defendant's mark, continuous use of the mark for more than a century, and sales figures were all relevant to determination of the strength of the mark).

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principles do not require that a competitor remain free to confuse the public with a telephone number or the letters identifying that number that are deceptively similar to those of a first user.

Id. at 678.

That Plaintiff's mark has gained such an identity is apparent from the fact that Defendant WhenU.com uses Plaintiff's trademarked name in its directory of terms that will "trigger" a pop-up advertisement for eye-care products.[52] Defendant WhenU.com's CEO stated in his affidavit that "the www.1800contacts.com web address is included in the eye-care category of WhenU's directory solely for the purpose of identifying consumers who visit the web address as consumers potentially interested in eye care products such as contact lenses." (Naider Aff. at 10). Accordingly, Plaintiff's mark passes the test for being a strong mark.

b. Similarity between Plaintiff's and Defendant's marks[53]

"In assessing the similarity of the marks, 'courts look to the overall impression created by the logos and the context in which they are found and consider the totality of factors that could cause confusion among prospective purchasers.'" *Lexington Management Corp. v. Lexington Capital Partners*, 10 F. Supp. 2d 271, 279 n.4 (S.D.N.Y. 1998), (quoting *Gruner + Jahr USA Publishing*, 991 F.2d at 1078 (2d Cir. 1993)). A court should look not just at "the typewritten and

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[52] It is also of note here that Defendant Vision Direct registered and maintains a registration for the domain name www.www1800 Contacts.com.

[53] Traditional cases addressing the question of similarity in the Polaroid factors have contemplated that the consumer actually sees or hears the parties' marks or logos, and might confuse the junior mark with the senior mark. In the Internet context, the issue is not whether the WhenU or Vision Direct marks themselves are similar to the Plaintiff's marks, but whether the marks used by the Defendants (whether actually seen by the consumer or not) are so similar to Plaintiff's mark that that similarity could ultimately cause consumer confusion. *See Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1061 n.23 (9th Cir. 1999) (placement of a trademarked term in metatags, which the court defined as "HTML code not visible to Web users but used by search engines in determining which sites correspond to the keywords entered by a Web user," was actionable use under the Lanham Act).

aural similarity of the marks, but [also at] how they are presented in the marketplace" to determine: 1.) whether the similarity between the two marks is likely to cause confusion and 2.) what effect the similarity has upon prospective purchasers." *Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 962 (2d Cir. 1996).

Defendant WhenU.com has included the URL address of Plaintiff's website, www.1800Contacts.com, in its proprietary directory of terms, (Tr. at 134), so that pop-up advertisements for the website of Defendant Vision Direct and other competitors will appear when computer users enter Plaintiff's URL into the address bar on their Internet browsers. (Tr. at 144-45.) Defendants also use the address www.1800 Contacts.com in the advertising of Defendant Vision Direct's products by causing pop-up advertisements to appear when a SaveNow user types the address into an Internet browser.

The website address www.1800contacts.com, used by Defendants in the SaveNow proprietary directory of terms incorporates completely the Plaintiff's trademark 1-800 CONTACTS. As used in the WhenU.com directory, Plaintiff's address, www.1800Contacts.com, differs from Plaintiff's trademark only in the omission of spaces and grammatical marks, and in the addition of the "www" and ".com." These distinctions are not significant. *TCPIP Holding Co., Inc. v. Haar Communications, Inc.*, 244 F.3d 88, 101-02 (2d Cir. 2001) (omission of spaces and addition of domain identifier ".com" or ".net" "are of little or no significance," since "it is necessary in the registration of an internet address to eliminate spaces and possessive punctuation"); *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176 (W.D.N.Y. 2000) (finding "The Buffalo News" and "the buffalonews.com," for all intents and purposes, identical); *New York State Soc'y of Certified Pub. Accountants v. Eric Louis Assocs., Inc.*, 79 F. Supp. 2d 331, 340 (S.D.N.Y. 1999) (finding "nysscpa.com" nearly identical to "NYSSCPA");

Planned Parenthood Fed'n of Am., Inc. v. Bucci, 1997 U.S. Dist. LEXIS 3338, 1997 WL 133313, at *8 (S.D.N.Y. Mar.24, 1997) (finding "plannedparenthood.com" nearly identical to "Planned Parenthood"), *aff'd*, 152 F.3d 920 (2d Cir.1998), *cert. denied*, 525 U.S. 834, 119 S. Ct. 90, 142 L. Ed. 2d 71 (1998).

The similarity of the mark used by Defendants to Plaintiff's 1-800 Contacts mark is clearly relevant and increases the likelihood of confusion. If Defendants used a mark less similar to Plaintiff's mark—for example, "www.contacts.com"—then a SaveNow user who received Defendants' pop-up advertisements after typing into a browser "www.contacts.com" would be less likely to associate Plaintiff's mark with Defendants' pop-up advertisements. Accordingly, the Court finds Plaintiff's mark and the mark used by Defendants to be extremely similar, and that this similarity weighs in favor of a finding of ~~likelihood~~ of confusion.

c. Proximity of the parties' services

This factor is satisfied if Plaintiff shows that the parties' products are sufficiently related that customers are likely to confuse the source of origin. *Lexington Management*, 10 F. Supp. 2d 271, 284-85 (S.D.N.Y. 1998) (Noting that the Second Circuit has suggested that "the 'proximity of products' factor should be considered together with the 'sophistication of buyers'") (citing *Cadbury Beverages v. Cott*, 73 F.3d 474, 480 (2d Cir. 1996)); *see also Beneficial Corp. v. Beneficial Capital Corp.*, 529 F. Supp. 445, 449 (S.D.N.Y. 1982) (noting that "the closeness of two products is, at least in part, a function of the extent to which purchasers can and do examine and distinguish them").

Here, the service offered by Plaintiff is identical to the service offered by Defendant Vision Direct—both offer replacement contact lenses to consumers over the Internet.

Defendant Vision Direct concedes that it is a competitor of Plaintiff. (Mummery Dec., P 2.)

Defendant WhenU.com does not provide a service similar to Plaintiff's, since WhenU.com is a provider of Internet marketing services, and Plaintiff is an Internet retailer of contact lenses. However, it is apparent that WhenU's SaveNow software relies on the close similarity between Plaintiff's services and those of Defendant Vision Direct. At the hearing, WhenU's CEO, Avi Naider, described how the SaveNow software operates to trigger pop-up advertisements—by identifying the category of services provided by 1-800 Contacts, and then retrieving and displaying a pop-up advertisement of a competitor who fits into the same category of services. (Tr. at 65, 144-45.) Clearly, WhenU.com is intentionally benefitting from the fact that Defendant Vision Direct provides services that are substantially the same as Plaintiff's services.

Additionally, analysis of this factor "with an eye to" the likelihood of initial interest confusion adds support to the Court's finding that this factor weighs in favor Plaintiff. The close proximity of services provided by Defendant Vision Direct and Plaintiff increases the likelihood that consumers, having clicked on the pop-up advertisements provided by the SaveNow software, would shift their interest from Plaintiff's website and services to those of Vision Direct. Thus, the close similarity of Defendant Vision Direct's services to Plaintiff's increases the likelihood that, by "piggy-backing" on the good will and reputation of Plaintiff, Defendant's pop-up advertisements might divert potential customers from Plaintiff. Accordingly, this factor tips in favor of Plaintiff.

d. Likelihood that one party will "bridge the gap" into the other's product line

"Where the market for competing goods or services is the same, there is no need to consider whether plaintiff will

bridge the gap between the markets." *Planned Parenthood Federation of America, Inc. v. Bucci*, 1997 U.S. Dist. LEXIS 3338, 1997 WL 133313 at *8 (S.D.N.Y. 1997) (declining to consider this factor where both plaintiff and defendant, whose websites were both on the Internet, were "vying for users in the same 'market'") (citing *Paddington Corp. v. Attiki Importers & Distributors, Inc.*, 996 F.2d 577, 586 (2d Cir.1993) (upholding the district court's finding that, where plaintiff's and defendant's ouzo products "would compete in the same market," the "likelihood-of-bridging-the-gap factor" was irrelevant)). Accordingly, while there is no need to address this factor, were the Court to do so, it is clear it would weigh in Plaintiff's favor.

e. Existence of actual confusion between the marks "Actual confusion" is defined as the likelihood of consumer confusion that enables a seller to pass off his goods as the goods of another. *W.W.W. Pharm. Co., Inc. v. Gillette Co.*, 984 F.2d 567, 574 (2d Cir. 1993); *Les Ballets Trockadero de Monte Carlo, Inc. v. Trevino*, 945 F. Supp. 563, 571 (S.D.N.Y. 1996).

However, "it is black letter law that actual confusion need not be shown to prevail under the Lanham Act, since actual confusion is very difficult to prove and the Act requires only a likelihood of confusion as to source." *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1986); *see also Guinness United Distillers & Vintners*, 2002 U.S. Dist. LEXIS 12722, 2002 WL 1543817, *4 (S.D.N.Y. 2002) (finding plaintiff's survey, showing only 2% actual confusion among consumers to weigh in favor of defendant, but nonetheless granting plaintiff's motion for preliminary injunction on the strength of other factors); *Lexington Management Corp. v. Lexington Capital Partners*, 10 F. Supp. 2d 271, 286 (S.D.N.Y. 1998) (where plaintiff provided no evidence of actual confusion in connection with its motion, this Polaroid factor neither supported nor detracted from plaintiff's motion for preliminary injunction).

As evidentiary support for its claim that consumers are likely to be confused by Defendants' pop-up advertisements as to their source, Plaintiff proffered its consumer survey, conducted by William D. Neal. (Pl. Oct. 9. 2002 at 19.) The goal of Mr. Neal's survey was to "determine whether online shoppers who wear or expect to wear contact lenses in the near future, and who have the SaveNow software from WhenU.com installed on their computers, are confused and/or mislead as to the source of SaveNow generated pop-up advertisements." (Neal Aff., Ex. B at 16.) Plaintiff also notes that Defendants, who requested and were granted an opportunity to conduct its own survey, did not conduct one. (Tr. at 371.)

Proof of actual confusion, in the form of market research survey evidence, is highly probative of the likelihood of consumer confusion, "subject to the condition that 'the survey must . . . have been fairly prepared and its results directed to the relevant issues.'" *Schieffelin & Co. v. Jack Co. of Boca, Inc.*, 850 F. Supp. 232, 245 (S.D.N.Y. 1994) (quoting *Universal City Studios, Inc. v. Nintendo Co.*, 746 F.2d 112, 118 (2d Cir. 1984)). However, survey evidence is not required to show actual confusion. *The Sports Authority, Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 964 (2d Cir. 1996).

The evidentiary value of a consumer survey's results depends upon the underlying objectivity of the survey itself, which is determined by reference to, inter alia: whether the proper universe was examined and the representative sample was drawn from that universe; whether the survey's methodology and execution were in accordance with generally accepted standards of objective procedure and statistics in the field of such surveys; whether the questions were leading or suggestive; whether the data gathered was accurately reported; and whether persons conducting the survey were recognized experts. *See Universal City Studios*, 746 F.2d 112, 118 (2d Cir. 1984); *SmithKline Beecham Consumer*

Healthcare, L.P., 2001 U.S. Dist. LEXIS 7061, 2001 WL 588846 at *11 (S.D.N.Y. 2001).

Plaintiff's survey statistics rely on numerous leading questions that suggested their own answers,[54] and that are therefore entitled to little weight in assessing consumer confusion. *Universal City Studios, Inc. v. Nintendo Co., Ltd.*, 746 F.2d 112 (2d Cir. 1984) (Responses to survey question that read, "To the best of your knowledge, was the Donkey Kong game made with the approval or under the authority of the people who produce the King Kong movies?" were not probative of confusion, because "[a] survey question which begs its answer cannot be a true indicator of the likelihood of consumer confusion.").

Even if these questions are disregarded, the survey is burdened by other flaws. To have substantial probative value, Plaintiff's survey must examine the impression of a junior mark on a potential consumer. *See Conopco v. Cosmair, Inc.*, 49 F. Supp. 2d 242, 253 (S.D.N.Y. 1999) (citing *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1042 (2d Cir.1992)). "Typically, trademark infringement surveys use stimuli, such as pictures, advertisements or clothing, that directly expose potential consumers to the products or the

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[54] Question 4-2 reads, "I believe that anyone should have the right to place 'Pop-Up' advertisements on any website at any time, even if the owner of the website does not authorize or approve it." (Neal Aff., Ex. C at 32.) By suggesting in the second clause that the pop-up ads might be unauthorized, Mr. Neal's survey suggests that they should not be permitted on the website. Question 4-5 reads: "I believe that 'Pop-Up' advertisements are sometimes not sponsored by or authorized by the website on which they appear." However, Question 9 reads: "Were you aware that, when viewing websites on the Internet, SaveNow software causes 'Pop-Up' advertisements to be displayed on your computer which are not authorized by the website on which they appear?" (Neal Aff., Ex. C at 35.) Since Question 9 flatly states that pop-up ads generated by SaveNow software are unauthorized, the survey itself suggest the answer to Question 4-5.

marks in question." *Trouble v. Wet Seal, Inc.*, 179 F. Supp. 2d 291, 308 (S.D.N.Y. 2001). Plaintiff's expert, Mr. Neal, testified that "a specific trademark was not researched" in his survey, (Tr. at 249), and that in the survey he did not show respondents an example of a SaveNow pop-up advertisement prior to drafting the survey. (Tr. at 264.) Mr. Neal's survey also did not ask whether survey respondents had ever seen a SaveNow pop-up ad, (Tr. at 265.), did not attempt to distinguish between SaveNow pop-up ads and other pop-up ads, (Tr. at 266-67), and did not determine whether differences between SaveNow ads and other pop-up ads might have affected users' perceptions of the advertisements provided by SaveNow. (Tr. at 268-69.)

Mr. Neal denied that he was conducting a trademark infringement survey; even so, the survey failed to use any stimulus that would inform consumers as to the competing products or marks in question. Mr. Neal also testified that although he had not provided survey respondents with an example of a SaveNow pop-up advertisement, it was "very reasonable" to assume that SaveNow users would have seen SaveNow pop-up ads. (Tr. at 272.) But this testimony is insufficient to support the leap Plaintiff requires of this Court. First, it does not necessarily follow that all survey respondents who had the SaveNow software on their computers saw SaveNow advertisements. (Tr. at 303.) Second, even if survey respondents who had SaveNow on their computers had seen SaveNow ads, it does not necessarily follow that those respondents were thinking of the SaveNow ads they had seen when they answered the survey questions from recall. (Tr. at 303.) Finally, since survey respondents answered questions about pop-up advertisements generally, it is just as "reasonable" to assume that they were thinking about pop-up advertisements from other sources when they answered the survey. Accordingly, Mr. Neal's survey, as designed and carried out, is not dispositive of whether pop-up advertisements generated by the SaveNow software has caused actual

confusion among SaveNow users, and is not evidence of actual confusion.

However, Mr. Neal's survey is at least suggestive of the likelihood of initial interest confusion. The survey results indicate that 68% of 490 surveyed SaveNow users did not know that they had the SaveNow software on their computers, that 76% of those who knew the SaveNow software was on their computers were unaware of what the SaveNow software does, that 59% of SaveNow users believed that "pop-up advertisements are placed on the website on which they appear by the owners of that website," and that 52% of all users believed "pop-up advertisements have been prescreened and approved by the website on which they appear." (Neal Aff. P 7.) The fact that a significant number of SaveNow users may believe that pop-up advertisements are associated with the owner of the website on which it appears is relevant to the likelihood of initial interest confusion, since this means a consumer is likely to associate a Vision Direct pop-up advertisement generated by the SaveNow program with the 1800-Contacts websites on which it appeared.

It seems likely that a SaveNow user thinking the Vision Direct pop-up advertisement generated by SaveNow was part of the 1-800 Contacts website, might be lured into clicking on the Vision Direct SaveNow pop-up advertisement, which would result in the user's main browser window shifting to Vision Direct's website, making likely that the consumer's attention and interest would shift to Vision Direct's website, and that ultimately the consumer would purchase products from Vision Direct, instead of from 1-800 Contacts. Although the survey does not show that a SaveNow user who receives a Vision Direct pop-up advertisement is likely to click on it, nor that a consumer who is diverted from the 1-800 Contacts website to the Vision Direct website is likely to purchase products from the Vision Direct website, this only reduces the weight of the survey evidence in establishing a risk of initial

interest confusion. *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867 (2d Cir. 1986) ("While the complete absence of actual confusion evidence after a significant period of competition may weigh in a defendant's favor, such an inference is unjustified in the instant case in view of the survey evidence, even with its methodological defects. While these defects go to the weight of the survey, it is still somewhat probative of actual confusion in the post-sale context.") Nonetheless, the survey is supportive of the likelihood of initial interest confusion.

In view of the foregoing, the Court finds that the evidence does not support a finding of actual source confusion; however, in view of the survey's weak probative value in establishing the likelihood of initial interest confusion, this factor weighs in favor of neither Defendant nor Plaintiff.

Of course, since actual confusion is only one of the eight factors considered under *Polaroid*, that Plaintiff has not presented evidence of actual source confusion does not require a finding of no likelihood of confusion. The Mobil Oil court upheld the lower court where the district judge

> found a likelihood of confusion not in the fact that a third party would do business with [defendant] believing it related to [plaintiff], but rather in the likelihood that [defendant] would gain crucial credibility during the initial phases of a deal. For example, an oil trader might listen to a cold phone call from [defendant]—an admittedly oft used procedurein the oil trading business—when otherwise he might not, because of the possibility that [defendant] is related to [plaintiff].

818 F.2d at 259.

Thus, while 1-800 Contacts' survey evidence is methodologically insufficient to show that a third party would do business with Vision Direct believing Vision Direct's advertisements (placed by WhenU's software) are related to

1-800 Contacts, this is not determinative of whether Plaintiff has established a likelihood of confusion generally.

f. Bad faith of the Defendant in using the mark

In analyzing the "bad faith" factor, the question is whether Defendants used Plaintiff's mark with the "intention of capitalizing on plaintiff's reputation and goodwill and any confusion between his and the senior user's product.'" *Lang v. Retirement Living Publ'g Co.*, 949 F.2d 576, 583 (2d Cir. 1991) (quoting *Edison Brothers Stores, Inc. v. Cosmair, Inc.*, 651 F. Supp. 1547, 1560 (S.D.N.Y. 1987)). It is apparent that Defendants here did not "innocently select" Plaintiff's 1-800 CONTACTS mark for inclusion in its proprietary directory of terms. Instead, WhenU.com's president and CEO testified and affirmed in a sworn affidavit that the 1-800 CONTACTS trademark was included in the WhenU.com proprietary directory. (Tr. at 134.)

Actual or constructive knowledge of a trademark owner's exclusive right to use a registered mark may signal bad faith. *Mobil Oil* at 259. Here, Defendant WhenU.com has knowingly included Plaintiff's mark in the SaveNow proprietary software directory, to increase the competitive advantage of Defendant Vision Direct. Such knowing use of Plaintiff's mark supports a finding of bad faith. Accordingly, this factor tips in favor of Plaintiff.

g. Quality of the Defendant's services

The quality of Defendant's product may be relevant because:

> (1) an inferior product may cause injury to the plaintiff trademark owner because people may think that the senior and junior products came from the same source; or (2) products of equal quality may tend to create confusion as to source because of this very similarity.

Hormel Foods Corp. v. Jim Henson Prods., 73 F.3d 497, 505 (2d Cir. 1996).

Plaintiff notes that "Defendants" services may or may not have the same quality as Plaintiff's services," but argues that the fact that Defendant's services are of comparable quality may confuse customers further, "precisely because the services are so similar." (Pl. Oct. 9, 2002 at 22.) However, here there is no evidence regarding the quality of Defendant's products. Without evidence, this factor could cut in favor of either Defendants or Plaintiff, *Tommy Hilfiger Licensing, Inc.*, 221 F. Supp. 2d 410, 2002 WL 1870307, at *8 (S.D.N.Y. 2002), and accordingly the Court finds it to be of assistance to neither Plaintiff nor Defendants.

h. Sophistication of the Consumers

Plaintiff argues that the level of care and attention paid by consumers on the Internet is diminished, and that therefore this factor cuts in Plaintiff's favor, as the likelihood of confusion will be high. (Pl. Oct. 9, 2002 at 23.) (citing *Something Old, Something New, Inc. v. QVC, Inc.*, 1999 U.S. Dist. LEXIS 18878, 53 U.S.P.Q.2d 1715, 1724 (S.D.N.Y. 1999)). In Something Old, Something New, the court considered the sophistication of consumers purchasing goods from a cable television and website home shopping network and found that "arguably, home shoppers are more subject to impulse buying than store shoppers; the product can be easily glorified and the consequence of the purchase can be masked." *Id.* By contrast, here there are no passive couch-potato consumers. Internet shoppers have a specific product in mind when they go online and have the ability to navigate the Internet to get what they want. Moreover, in the mixed publishing/retailing context of the Internet, (Tr. at 88-90), only a few clicks of a mouse by the consumer separates a pop-up advertisement from an actual purchase by that consumer. Thus, consumers who have typed Plaintiff's 1800Contacts.com URL into the browser bar are clearly searching for contact lens products, and expect to be able to complete a transaction with Plaintiff in a short span of time, with little effort or transaction costs.

However, whether or not consumers of replacement contact lenses on the Internet are "sophisticated" will not change the harm that flows from initial interest confusion, since that harm arises when consumers' interest is diverted from Plaintiff's products by association of Plaintiff's trademark with Defendants' products. Since the harm from initial interest confusion does not depend on actual confusion, the sophistication of consumers does not mitigate the likelihood of initial interest confusion. *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d Cir. 1987) (upholding a finding of trademark infringement where defendant's use of plaintiff's mark made probable "that potential purchasers would be misled into an initial interest" in defendant competitor's product, despite the sophistication of the consumers); *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 875 (2d Cir. 1986) (sophistication of the buyers of expensive designer blue jeans contributed to, rather than prevented, initial interest confusion caused by infringer's use of trademark stitching patterns substantially similar to mark owner's, since sophisticated jeans consumers would be more likely to assume some sort of association between the mark-owner and the infringer); *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1342 (2d Cir. 1975); *New York State Soc. of Certified Public Accountants v. Eric Louis Associates, Inc.*, 79 F. Supp. 2d 331, 341-42 (S.D.N.Y. 1999) (sophistication of consumers does not mitigate initial interest confusion, since sophisticated consumers are as likely to be initially confused as unsophisticated consumers); *Kompan A.S. v. Park Structures, Inc.*, 890 F. Supp. 1167 (N.D.N.Y. 1995) (holding that the sophistication of purchasers of expensive playground equipment does not prevent initial confusion caused by defendants copying of plaintiff's trade dress).

The fact that Defendants' pop-up advertisement for competing Internet contact lenses retailers appears shortly after a consumer types into the browser bar Plaintiff's trademarked

name and accesses Plaintiff's homepage increases the likelihood that a consumer might assume Defendants' pop-up advertisements are endorsed or licensed by Plaintiff, since the user will first see the 1-800 Contacts website, with logos and graphics, and then will see the pop-up advertisement. *Planned Parenthood Fed'n. of Am., Inc. v. Bucci*, 1997 U.S. Dist. LEXIS 3338, 1997 WL 133313, *8 (S.D.N.Y. 1997) (plaintiff's mark appeared during a short delay while trademark infringer's homepage loaded, increasing the likelihood that Internet users would believe they had accessed plaintiff's website). Even if a consumer who clicked on Defendants' pop-up advertisements and accessed Defendant Vision Direct's website eventually realized—prior to purchasing anything—that Vision Direct's website was not related to Plaintiff, the consumer might then proceed to purchase replacement contacts on Vision Direct's website, instead of taking the steps necessary to return to Plaintiff's website. *Bihari v. Gross* 119 F. Supp. 2d 309, 319 (S.D.N.Y. 2000); *BigStar Entmt, Inc. v. Next Big Star, Inc.*, 105 F. Supp. 2d 185, 207 (S.D.N.Y. 2000). Accordingly, this factor weighs in favor of the Plaintiff.

i. Other Factors: Branding by WhenU.com

Defendant WhenU.com argues that it has taken steps to ensure effectively there will be no confusion among consumers as to the source of the pop-up advertisements. Advertisement windows generated by Defendant WhenU's SaveNow software are "branded"—a green "$" mark and the text "SaveNow!" are affixed to the top of the window. (Naider Aff. P 42; Memo in Opposition at 11.) On the upper right-hand corner of the SaveNow ad windows, next to the "X" symbol that typically closes windows, is a "?" symbol that, when clicked, opens a new window containing an explanation of the SaveNow software and a direct link to a page with more detailed information for removing or "uninstalling" the software. (Memo in Opposition at 11.) At the

bottom right of the advertisement window is text stating: "A WhenU offer—click? for info." (Memo in Opposition at 11[55] (citing *Upjohn Co. v. AHPC*, 598 F. Supp. 550, 561-62 (S.D.N.Y. 1984))).

WhenU.com argues that its disclaimers are "the preferred way of alleviating consumer confusion." (WhenU.com Memorandum at 23). WhenU.com argues further that, "unlike the use of trademarks in metatags to "trick" consumers into believing that a website is in fact the website that they intended to visit, where . . . consumers see both the website they accessed as well as WhenU's clearly labelled ad, they are not likely to be confused. (Memorandum in Opposition at 24, n.14 (citing *Bihari v. Gross*, 119 F. Supp. 2d 309, 321-322 (S.D.N.Y. 2000))).

While the Second Circuit has "found the use of disclaimers to be an adequate remedy when they are sufficient to avoid substantially the risk of consumer confusion," it is also important to note that "each case must be judged by considering the circumstances of the relevant business and its consumers." *See Home Box Office, Inc. v. Showtime/The Movie Channel Inc.*, 832 F.2d 1311, 1315 (2d Cir. 1987).

Here, consumer confusion caused by the pop-up advertisements can hardly be alleviated by WhenU's use of disclaimers with terms that are buried in other web pages, requiring viewers to scroll down or click on a link. Moreover, Defendant "has failed to come forth with any evidence what-

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[55] As noted above, in December 2002, subsequent to the filing of this lawsuit, WhenU.com replaced this text with a new disclaimer, stating: "This is a WhenU offer and is not sponsored or displayed by the websites you are visiting. More . . . ," (Memo in Opposition at 10). However, since "there is no guarantee that Defendants will not simply return to the same conduct if the case is dismissed without issuance of an injunction," the Court considers the disclaimers as they appeared at the time the action was filed. *OBH, Inc. v. Spotlight Magazine, Inc.*, 86 F. Supp. 2d 176, 186 n.8 (W.D.N.Y. 2000).

soever to support its contention that the disclaimer would reduce consumer confusion." *Charles of the Ritz Group Ltd. v. Quality King Distribs., Inc.*, 832 F.2d 1317, 1324 (2d Cir. 1987). The burden imposed upon Defendants to "come forward with evidence sufficient to demonstrate that [its disclaimers] would significantly reduce the likelihood of consumer confusion" is a heavy one. *Home Box Office, Inc. v. Showtime/The Movie Channel Inc.*, 832 F.2d 1311 (2d Cir. 1987).

Even if Defendants had offered evidence of the effect of its branding and disclaimers, such evidence would do little to counter Plaintiff's showing of the likelihood of initial interest confusion. *OBH, Inc. v. Spotlight Magazine Inc.*, 86 F. Supp. 2d 176, 190 (W.D.N.Y. 2000) (rejecting disclaimer defense because defendant's disclaimer could not remedy initial interest confusion caused by defendant's use of plaintiff's mark on its website); *N.Y. State Soc'y of CPA's v. Eric Louis Assocs.*, 79 F. Supp. 2d 331 (S.D.N.Y. 1999) (same); *Planned Parenthood Fed'n of Am., Inc. v. Bucci*, 1997 U.S. Dist. LEXIS 3338, 1997 WL 133313 (S.D.N.Y. 1997) (same); cf. *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867 (2d Cir. 1986) (finding a likelihood of confusion in the post-sale context, and finding that "appellants' labeling in no way dispels the likelihood that consumers will conclude that appellants' jeans are somehow connected to appellee by virtue of the nearly identical stitching patterns").

Accordingly, Defendant WhenU's use of the "Save!" brand, the "A WhenU ad" brand, and the license agreement on installation do not alleviate Plaintiff's showing of a likelihood of confusion.

In sum, as discussed above, the *Polaroid* factors weigh heavily in favor of the Plaintiff's showing a likelihood of both source confusion and initial interest confusion. Having established a likelihood of confusion, Plaintiff has established both a likelihood of success on the merits and irreparable

harm on its trademark infringement claim. *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 73 (2d Cir.1988).

C. Cybersquatting

The Second Circuit has described cybersquatting as follows:

> Cybersquatting involves the registration as domain names of well-known trademarks by non-trademark holders who then try to sell the names back to the trademark owners. Since domain name registrars do not check to see whether a domain name request is related to existing trademarks, it has been simple and inexpensive for any person to register as domain names the marks of established companies. This prevents use of the domain name by the mark owners, who not infrequently have been willing to pay 'ransom' in order to get 'their names' back.

Sporty's Farm L.L.C. v. Sportsman's Market, Inc., 202 F.3d 489, 493 (2d Cir. 2000)

In passing the Anticybersquatting Consumer Protection Act ("ACPA"), Pub.L. No. 106-113 (1999), Congress provided a federal remedy for cybersquatting. 15 U.S.C. § 1125(d)(1)(A) provides:

> A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person--
>
> (i) has a bad faith intent to profit from that mark including a personal name which is protected as a mark under this section; and
>
> (ii) registers, traffics in, or uses a domain name that

> (I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;
>
> (II) in the case of a famous mark that is famous at the time of the registration of the domain name, is identical or confusingly similar to or dilutive of that mark; . . .

15 U.S.C. § 1125(d)(1)(A).

"[A] court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark." 15 U.S.C. § 1125(d)(1)(C).

Plaintiff 1-800 Contacts has continuously used its marks in commerce since its inception in 1995. (Mathison Aff. P 6.) Defendant Vision Direct registered[56] and maintains its registration in the domain name www.www1800Contacts.com. (Barrier Aff. Ex. A.) Plaintiff argues that this domain name is "almost identical" to Plaintiff's www.1-800Contacts.com website domain name, and that Defendant Vision Direct registered and maintains the www.www1800Contacts.com domain name with the bad faith intent to divert consumers from the 1-800 Contacts website to Defendant Vision Direct's website, and to profit from the use of Plaintiff's mark. (Pl. 10/9/02 at 32.) Vision Direct has not addressed these arguments.

The Court has already concluded that the 1-800 Contacts mark is suggestive, and also distinctive. *See* Discussion, supra.

The domain name registered by Defendant Vision Direct, www.www1800Contacts.com, differs from Plaintiff's 1-800 Contacts mark in the addition of the web prefix "www"

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[56] It appears from that the registration occurred sometime in 2002. (Barrier Aff. Ex. A.)

and the omission of spaces. These distinctions are not significant.[57]

The statute provides that

> In determining whether a person has a bad faith intent described under subparagraph (a), a court may consider factors such as, but not limited to
>
> (I) the trademark or other intellectual property rights of the person, if any, in the domain name;
>
> (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;
>
> (III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;
>
> (IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;
>
> (V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;
>
> * * * *
>
> (IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of this section.

15 U.S.C. § 1125(d)(1)(B)(i).

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[57] *See* discussion, *infra*, p.59.

Relying on these factors, it is apparent that Vision Direct has acted with bad faith. Vision Direct has no trademark rights in the domain name, is not identified by the domain name, has not demonstrated any prior bona fide use of the domain name or any site accessible using the domain name—accordingly, these factors weigh in favor of the Plaintiff. 15 U.S.C. § 1125(d)(1)(B)(i)(I-IV). Defendant Vision Direct and Plaintiff are competitors, offering virtually identical services over the Internet—this alone tends to show that Vision Direct has registered the www.www1800Contacts.com domain name with the "intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site." 15 U.S.C. § 1125(d)(1)(B)(i)(V).

Accordingly, the Court finds sufficient evidence to establish the bad faith of Defendant Vision Direct in registering and maintaining the www.www1800Contacts.com domain name. Based on the foregoing, Plaintiff has established a likelihood of success on its Cybersquatting claims.

Some district courts have found the trademark infringment principle applies in cybersquatting actions under the ACPA—that irreparable harm may be caused by the improper registration, trafficking or use of a confusingly similar domain name. E.g. *Advance Magaine Publishers Inc. v. Vogue Int'l*, 123 F. Supp. 2d 790, 801 (D.N.J. 2000) (citing *Shields v. Zuccarini*, 89 F. Supp. 2d 634, 641 (E.D. Pa. 2000)). However, other courts have not applied this principle, and have required a showing of irreparable harm to the plaintiff. E.g., *BroadBridge Media, L.L.C. v. Hypercd.com*, 106 F. Supp. 2d 505, 509-10 (S.D.N.Y. 2000). The Second Circuit has not weighed in on the distinction between irreparable harm for purposes of trademark infringement claims and

cybersquatting claims. This Court joins the courts that find irreparable harm may be presumed on a motion for a preliminary injunction in a cybersquatting case where a plaintiff has shown a likelihood of success on the merits.[58] Accordingly, issuance of a preliminary injunction against Defendant Vision Direct's use of the domain name www.www 1800Contacts.com is appropriate.

D. Mootness

Defendant Vision Direct argues it should not be preliminarily enjoined in this case because any grounds for relief that Plaintiff may have had prior to the filing of the lawsuit have been mooted.[59] (Vision Direct Jan. 31, 2003 at 3.) Vision Direct notes that it voluntarily instructed its co-defendant, WhenU.com, to cease placing "pop-up" ads on Plaintiff's website three weeks before this action was filed,[60] and claims it has no intention of resuming use of the offending pop-up advertising. (*Id.* at 2-3; Mummery Dec. P 7, 8.) Vision Direct also notes that it sued Coastal Contacts for substantially the same conduct in 02-Civ-9788. (Vision Direct Jan. 31, 2003 at 3.)

Although Vision Direct may have ceased its use of the complained-of pop-up advertisements, the Court nonetheless

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[58] It is not insignificant that Congress chose to make the ACPA part of the Lanham Act, and for purposes of preliminary injunctions on trademark infringement claims under the Lanham Act, irreparable harm is presumed upon a finding of a likelihood of confusion.

[59] Arguing "if a defendant voluntarily ceases the complained-of activities, a preliminary injunction request is moot when there is no reasonable expectation that the complained-of activities will resume in the future." Defendant Vision Direct cites *American Express Travel Related Services, Inc. v. Mastercard International, Inc.*, 776 F. Supp. 787, 790-91 (S.D.N.Y. 1991); *Upjohn v. AMHC*, 598 F. Supp. 550, 554-55. (Vision Direct Jan. 31, 2003 at 3.)

[60] Defendant alleges that it voluntarily ceased its pop-up advertising activities on September 17, 2003. (Mummery Dec. P 7, 8.)

has authority to issue a preliminary injunction. *See Blisscraft of Hollywood v. United Plastics Co.*, 294 F.2d 694, 701 (2d Cir. 1961) (Injunction issued against future infringement although the defendant discontinued the use of offending labels, since the defendant continued to dispute the validity of the trademark); *United States v. W.T. Grant Co.*, 345 U.S. 629, 633, 97 L. Ed. 1303, 73 S. Ct. 894 (1953) ("the court's power to grant injunctive relief survives discontinuance of the illegal conduct" since the "purpose of an injunction is to prevent future conduct"). Moreover, since here there is little to support a conclusion that use by Defendant Vision Direct of pop-up advertisements will not reoccur, the Court rejects Defendant's claim that a preliminary injunction should not issue merely because Defendant has ceased the offending conduct. E.g., *United Farm Workers v. Sloan's Supermarkets, Inc.*, 352 F. Supp. 1025, 1028-29 (S.D.N.Y. 1972); *Consumers Union of United States, Inc. v. Theodore Hamm Brewing Co.*, 314 F. Supp. 697, 701 (D.Conn. 1970); *Consumers Union of United States, Inc. v. Admiral Corp*, 186 F. Supp. 800, 801 (S.D.N.Y. 1960).

Vision Direct's claim that "no likelihood exists that Vision Direct will resume causing pop-up advertisements to appear on 1-800's web pages" is supported by nothing more than the affidavit of Ian Mummery stating that "Vision Direct has no intention of again participating in pop-up advertising." (Mummery Dec. at P8.) This avowed lack of "intention" to participate is a far cry from a guarantee by Vision Direct that it will not participate in pop-up advertising in the future. Here, Vision Direct has not convinced the Court that it has voluntarily done "everything within its power" to ensure that "there is not even a slight danger that it would now turn around and embark upon another course of deceptive conduct." *Twentieth Century Fox v. Suarez Corp.*, 1998 U.S. Dist. LEXIS 3487, 1998 WL 126065, *3-5 (S.D.N.Y. 1998) (denying preliminary injunction where defendant voluntarily changed website and attempted to cancel 42 advertisements,

and "plaintiff . . . specifically conceded that the defendant [did] everything within its power to cancel all advertisements").

Vision Direct argues that the balance of the hardships weighs in favor of denying the injunction, because of the harm to its reputation that will result from the imposition of a preliminary injunction against it. In support of its argument, Vision Direct cites *United Farm Workers v. Sloan's Supermarkets, Inc.*, 352 F. Supp. at 1028-29. In *Sloan's*, the court acknowledged that "a preliminary injunction is not precluded merely because the action complained of has ceased, or because it was inadvertent, or because the defendant has sworn it will not happen again, or because the defendant might suffer some harm from the injunction," but held that the balance of harms tipped in favor of denying a preliminary injunction where "the mere announcement to the public that [defendant] had been preliminarily enjoined . . . would convey an incorrect impression of the defendant's position with regard to the plaintiff union; would misrepresent its good faith efforts; and would likely do considerable injury to its general business reputation which is not presently justified by the record").

However, here Vision Direct has offered only statements by Ian Mummery, that

> [a] preliminary injunction against Vision Direct would undoubtedly damage it, possibly irreparably. Vision Direct's reputation is unblemished and must remain so if Vision Direct is to continue its spectacular success. Customers will undoubtedly be hesitent [sic] to purchase contact lenses from a company that has been enjoined.

(Mummery Dec. P 9.)

Mr. Mummery provides no basis for his conclusions about what "undoubtedly" might happen. Notwithstanding his speculation, it is far from clear that enjoining Defendant

Vision Direct from placing pop-up advertisements on Plaintiff's website will have any effect at all on sales by Vision Direct. Accordingly, these statements are insufficient to sustain Vision Direct's burden of showing that a preliminary injunction will harm its good will and reputation.

E. Other Claims

Plaintiff advances several other related theories under the Lanham Act and state law, in support of its Motion for Preliminary Injunction. As none of those theories, if established, would entitle plaintiff to greater relief" than that appropriate under its infringement and cybersquatting claims, "there is no need to consider them." e.g. *L. Gem Lab Ltd. v. Gem Quality Institute, Inc.*, 90 F. Supp. 2d 277, 298 (S.D.N.Y. 2000).

F. Remedies

Defendant uses Plaintiff's mark within the meaning of the Lanham Act by causing pop-up advertisements to appear when SaveNow users have specifically attempted to find or access Plaintiff's website, by either typing Plaintiff's web address into the browser bar or by typing the Plaintiff's mark into a search engine. Defendant also uses Plaintiff's mark by including Plaintiff's mark and confusingly similar terms as elements in the proprietary SaveNow directory. These uses are likely to cause source confusion and initial interest confusion.

As Professor Deighton noted, the distinction between marketing and publishing may be diminishing in the context of the unique environment of the Internet. (Tr. at 88-90.) On the other hand, technological advances should not trample on the traditionally-protected rights established by the trademark infringement laws. On the Internet, online shoppers have a myriad of competing retailers literally at their fingertips, are easily able to research preferences, and with very little time and effort are able to enact their preferences with purchases.

In this context, the good will and reputation that Plaintiff and other online retailers have established is of extreme importance. Plaintiff has spent considerable sums to establish and maintain its marks' notoriety with online consumers, and is entitled to protect this investment from conduct that infringes those marks. An online shopper who has knowledge of Plaintiff's mark and an interest sufficient to choose to visit or find Plaintiff's website is a potential buyer that Plaintiff is entitled to protect from confusion.

Enjoining the Defendants from triggering pop-up advertisements when SaveNow users type in Plaintiff's website address and/or type Plaintiff's mark into a search engine will prevent Defendants from capitalizing on the goodwill and reputation that Plaintiff has earned through its own investment. Such an injunction will eliminate the likelihood that a SaveNow user will be confused as to the source of the pop-up advertisements that appear when the 1-800 Contacts website is accessed; it will also eliminate the likelihood that a SaveNow user would be lured from Plaintiff's website to Defendant Vision Direct's website in the initial phases of the user's attempts to shop for contact lens products on Plaintiff's website.

Of course, an injunction should not impede traffic in the more general free-for-all of the Internet superhighway, where general information is often sought. For example, a SaveNow user who enters a generic term such as "contact lenses" into a search engine is clearly looking for general information, and has not exhibited any preference for 1-800 Contacts. Plaintiff's website, as well as Defendant Vision Direct's website, may appear on the results page of the search engine along with other contact lens retailers and manufacturers. In this environment, all contact lens retailers including Plaintiff and Defendant Vision Direct, are "on the same page," and the unique interplay of publishing and marketing provided by the technology of the Internet should be given free reign.

Accordingly, it is appropriate that Defendants be preliminarily enjoined from using Plaintiff's mark or confusingly similar terms as an element in the SaveNow proprietary directory. It is also appropriate that Defendants be preliminarily enjoined from causing pop-up advertisements to appear when a computer user has made a specific choice to access or find Plaintiff's website by typing Plaintiff's mark into the URL bar of a web browser or into an Internet search engine.

Since it is likely that Plaintiff will succeed in its claims that Defendant Vision Direct registered and maintained a registration of the domain name www.www1800Contacts.com, that the domain name is confusingly similar to Plaintiff's 1800Contacts mark, and that the registration and maintenance of registration was in bad faith, it is also appropriate that Defendant Vision Direct be and hereby is ORDERED to cancel its registration of the domain name www.www1800Contacts.com.

III. CONCLUSION

For the foregoing reasons, 1-800 Contacts' Motion for a preliminary injunction is GRANTED in part and in DENIED in part.

Defendants are preliminarily enjoined from: 1) including the 1-800 Contacts mark, and confusingly similar terms, as elements in the SaveNow software directory, and 2) displaying Plaintiff's mark "in the . . . advertising of" Defendant Vision Direct's services, by causing Defendant Vision Direct's pop-up advertisements to appear when a computer user has made a specific choice to access or find Plaintiff's website by typing Plaintiff's mark into the URL bar of a web browser or into an Internet search engine. Within 30 days of the date of this Order, Defendants SHALL effect this injunction.

Plaintiff's Motion for preliminary injunctive relief on its cybersquatting claims is GRANTED. Defendant Vision

Direct shall within 30 days of the date of this Order cancel its registration of the www.www1800Contacts.com domain name.

Plaintiff's Motion for preliminary injunctive relief on its copyright claims is DENIED.

The parties shall appear before the Court for a case conference on January 16, 2004 at 11:00 AM.

SO ORDERED.

DEBORAH A. BATTS
United States District Judge

Dated: December 22, 2003

APPENDIX C

TITLE 15. COMMERCE AND TRADE
CHAPTER 22. TRADEMARKS

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§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive;

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a

State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any nongovernmental entity.

(2) Notwithstanding any other provision of this Act, the remedies given to the owner of a right infringed under this Act or to a person bringing an action under section 43(a) or (d) [15 USC § 1125(a) or (d)] shall be limited as follows:

(A) Where an infringer or violator is engaged solely in the business of printing the mark or violating matter for others and establishes that he or she was an innocent infringer or innocent violator, the owner of the right infringed or person bringing the action under section 43(a) [15 USC § 1125(a)] shall be entitled as against such infringer or violator only to an injunction against future printing.

(B) Where the infringement or violation complained of is contained in or is part of paid advertising matter in a newspaper, magazine, or other similar periodical or in an electronic communication as defined in section 2510(12) of title 18, United States Code, the remedies of the owner of the right infringed or person bringing the action under section 43(a) [15 USC § 1125(a)] as against the publisher or distributor of such newspaper, magazine, or other similar periodical or electronic communication shall be limited to an injunction against the presentation of such advertising matter in future issues of such newspapers, magazines, or other similar periodicals or in future transmissions of such electronic communications. The limitations of this subparagraph shall apply only to innocent infringers and innocent violators.

(C) Injunctive relief shall not be available to the owner of the right infringed or person bringing the action under section 43(a) [15 USC § 1125(a)] with respect to an issue of a newspaper, magazine, or other similar periodical or an electronic communication containing infringing matter or violating matter where restraining the dissemination of such infringing matter or violating matter in any particular issue of such periodical or in an electronic communication would delay the delivery of such issue or transmission of such electronic communication after the regular time for such delivery or transmission, and such delay would be due to the method by which publication and distribution of such periodical or transmission of such electronic communication is customarily conducted in accordance with sound business practice, and not due to any method or device adopted to evade this section or to prevent or delay the issuance of an injunction or restraining order with respect to such infringing matter or violating matter.

(D)(i)(I) A domain name registrar, a domain name registry, or other domain name registration authority that takes any action described under clause (ii) affecting a domain name shall not be liable for monetary relief or, except as provided in subclause (II), for injunctive relief, to any person for such action, regardless of whether the domain name is finally determined to infringe or dilute the mark.

(II) A domain name registrar, domain name registry, or other domain name registration authority described in subclause (I) may be subject to injunctive relief only if such registrar, registry, or other registration authority has—

(aa) not expeditiously deposited with a court, in which an action has been filed regarding the disposition of the domain name, documents sufficient for the court to establish the court's control and authority regarding the disposition of the registration and use of the domain name;

(bb) transferred, suspended, or otherwise modified the domain name during the pendency of the action, except upon order of the court; or

(cc) willfully failed to comply with any such court order.

(ii) An action referred to under clause (i)(I) is any action of refusing to register, removing from registration, transferring, temporarily disabling, or permanently canceling a domain name—

(I) in compliance with a court order under section 43(d) [15 USC § 1125(d)]; or

(II) in the implementation of a reasonable policy by such registrar, registry, or authority prohibiting the registration of a domain name that is identical to, confusingly similar to, or dilutive of another's mark.

(iii) A domain name registrar, a domain name registry, or other domain name registration authority shall not be liable for damages under this section for the registration or maintenance of a domain name for another absent a showing of bad faith intent to profit from such registration or maintenance of the domain name.

(iv) If a registrar, registry, or other registration authority takes an action described under clause (ii) based on a knowing and material misrepresentation by any other person that a domain name is identical to, confusingly similar to, or dilutive of a mark, the person making the knowing and material misrepresentation shall be liable for any damages, including costs and attorney's fees, incurred by the domain name registrant as a result of such action. The court may also grant injunctive relief to the domain name registrant, including the reactivation of the domain name or the transfer of the domain name to the domain name registrant.

(v) A domain name registrant whose domain name has been suspended, disabled, or transferred under a policy described under clause (ii)(II) may, upon notice to the mark owner, file a civil action to establish that the registration or use of the domain name by such registrant is not unlawful under this Act. The court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant.

(E) As used in this paragraph—

(i) the term "violator" means a person who violates section 43(a) [15 USC § 1125(a)]; and

(ii) the term "violating matter" means matter that is the subject of a violation under section 43(a) [15 USC § 1125(a)].

(3)(A) Any person who engages in the conduct described in paragraph (11) of section 110 of title 17, United States Code [17 USC § 110], and who complies with the requirements set forth in that paragraph is not liable on account of such conduct for a violation of any right under this Act. This subparagraph does not preclude liability, nor shall it be construed to restrict the defenses or limitations on rights granted under this Act, of a person for conduct not described in paragraph (11) of section 110 of title 17, United States Code [17 USC § 110], even if that person also engages in conduct described in paragraph (11) of section 110 of such title [17 USC § 110].

(B) A manufacturer, licensee, or licensor of technology that enables the making of limited portions of audio or video content of a motion picture imperceptible as described in subparagraph (A) is not liable on account of such manufacture or license for a violation of any right under this Act, if such manufacturer, licensee, or licensor ensures that the technology provides a clear and conspicuous notice at the beginning of each performance that the performance of the motion picture is altered from the performance intended by

the director or copyright holder of the motion picture. The limitations on liability in subparagraph (A) and this subparagraph shall not apply to a manufacturer, licensee, or licensor of technology that fails to comply with this paragraph.

(C) The requirement under subparagraph (B) to provide notice shall apply only with respect to technology manufactured after the end of the 180-day period beginning on the date of the enactment of the Family Movie Act of 2005 [enacted April 27, 2005].

(D) Any failure by a manufacturer, licensee, or licensor of technology to qualify for the exemption under subparagraphs (A) and (B) shall not be construed to create an inference that any such party that engages in conduct described in paragraph (11) of section 110 of title 17, United States Code [17 USC § 110], is liable for trademark infringement by reason of such conduct.

* * * *

§ 1125. False designations of origin, false descriptions, and dilution forbidden

(a) Civil action.

(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic

origin of his or her or another person's goods, services, or commercial activities,

shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(2) As used in this subsection, the term "any person" includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this Act for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

(b) Importation. Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this Act in cases involving goods refused entry or seized.

(c) Remedies for dilution of famous marks.

(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In deter-

mining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to—

(A) the degree of inherent or acquired distinctiveness of the mark;

(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief as set forth in section 34 [15 USC § 1116] unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36 [15 USC §§ 1117(a), 1118], subject to the discretion of the court and the principles of equity.

(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

(4) The following shall not be actionable under this section:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.

(d) Cyberpiracy prevention.

(1)(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code.

(B)(i) In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to

maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c)(1) of section 43 [subsection (c)(1) of this section].

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

(D) A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant's authorized licensee.

(E) As used in this paragraph, the term "traffics in" refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

(2)(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the

domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if—

(i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c); and

(ii) the court finds that the owner—

(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or

(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—

(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

(bb) publishing notice of the action as the court may direct promptly after filing the action.

(B) The actions under subparagraph (A)(ii) shall constitute service of process.

(C) In an in rem action under this paragraph, a domain name shall be deemed to have its situs in the judicial district in which—

(i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or

(ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

(D)(i) The remedies in an in rem action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark. Upon receipt of written notification of a filed, stamped copy of a complaint filed by the owner of a mark in a United States district court under this paragraph, the domain name registrar, domain name registry, or other domain name authority shall—

(I) expeditiously deposit with the court documents sufficient to establish the court's control and authority regarding the disposition of the registration and use of the domain name to the court; and

(II) not transfer, suspend, or otherwise modify the domain name during the pendency of the action, except upon order of the court.

(ii) The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.

(3) The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable.

(4) The in rem jurisdiction established under paragraph (2) shall be in addition to any other jurisdiction that otherwise exists, whether in rem or in personam.

* * * *

§ 1127. Construction and definitions; intent of chapter

In the construction of this Act, unless the contrary is plainly apparent from the context—

The United States includes and embraces all territory which is under its jurisdiction and control.

The word "commerce" means all commerce which may lawfully be regulated by Congress.

The term "principal register" refers to the register provided for by sections 1 through 22 hereof [15 USC §§ 1051-1072], and the term "supplemental register" refers to the register provided for by sections 23 through 28 thereof [15 USC §§ 1091-1096].

The term "person" and any other word or term used to designate the applicant or other entitled to a benefit or privilege or rendered liable under the provisions of this Act includes a juristic person as well as a natural person. The term "juristic person" includes a firm, corporation, union, association, or other organization capable of suing and being sued in a court of law.

The term "person" also includes the United States, any agency or instrumentality thereof, or any individual, firm, or corporation acting for the United States and with the authorization and consent of the United States. The United States, any agency or instrumentality thereof, and any individual, firm, or corporation acting for the United States and with the authorization and consent of the United States, shall be subject to the provisions of this Act in the same manner and to the same extent as any nongovernmental entity.

The term "person" also includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any nongovernmental entity.

The terms "applicant" and "registrant" embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.

The term "Director" means the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

The term "related company" means any person whose use of a mark is controlled by the owner of the mark with respect to the nature and quality of the goods or services on or in connection with which the mark is used.

The terms "trade name" and "commercial name" mean any name used by a person to identify his or her business or vocation.

The term "trademark" includes any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The term "service mark" means any word, name, symbol, or device, or any combination thereof—

(1) used by a person, or

(2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as

service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

The term "certification mark" means any word, name, symbol, or device, or any combination thereof—

(1) used by a person other than its owner, or

(2) which its owner has a bona fide intention to permit a person other than the owner to use in commerce and files an application to register on the principal register established by this Act,

to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.

The term "collective mark" means a trademark or service mark—

(1) used by the members of a cooperative, an association, or other collective group or organization, or

(2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

and includes marks indicating membership in a union, an association, or other organization.

The term "mark" includes any trademark, service mark, collective mark, or certification mark.

The term "use in commerce" means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce—

(1) on goods when—

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

A mark shall be deemed to be "abandoned" if either of the following occurs:

(1) When its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

(2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—

(1) competition between the owner of the famous mark and other parties, or

(2) likelihood of confusion, mistake, or deception. The term "colorable imitation" includes any mark which so resembles a registered mark as to be likely to cause confusion or mistake or to deceive.

The term "registered mark" means a mark registered in the United States Patent and Trademark Office under this Act or under the Act of March 3, 1881, or the Act of February 20, 1905, or the Act of March 19, 1920. The phrase "marks registered in the Patent and Trademark Office" means registered marks.

The term "Act of March 3, 1881," "Act of February 20, 1905," or "Act of March 19, 1920," means the respective Act as amended.

A "counterfeit" is a spurious mark which is identical with, or substantially indistinguishable from, a registered mark.

The term "domain name" means any alphanumeric designation which is registered with or assigned by any domain name registrar, domain name registry, or other domain name registration authority as part of an electronic address on the Internet.

The term "Internet" has the meaning given that term in section 230(f)(1) of the Communications Act of 1934 (47 U.S.C. 230(f)(1)).

Words used in the singular include the plural and vice versa.

The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions,

copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

SUPREME COURT, U.S.
OCT 2 2005
OFFICE OF THE CLERK

No. 05-397

IN THE

Supreme Court of the United States

1-800 CONTACTS, INC.,

Petitioner,

v.

WHENU.COM, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

CELIA GOLDWAG BARENHOLTZ
Counsel of Record
JASON M. KORAL
IAN SHAPIRO
KRONISH LIEB WEINER
& HELLMAN LLP
1114 Avenue of the Americas
New York, NY 10036
(212) 479-6330

Counsel for Respondent

197423

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

CORPORATE DISCLOSURE STATEMENT

Pursuant to Supreme Court Rule 29.6, WhenU.com, Inc. certifies that it is a privately held company. WhenU.com, Inc. does not have any parent companies and there is no publicly held corporation that owns 10% or more of its stock.

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Federal Statutes

15 U.S.C. § 1114 ..... 2, 12, 17, 19, 21

15 U.S.C. § 1125 ..... 12, 19, 21

15 U.S.C. § 1127 .....12, 17

Rule

U.S. Sup. Ct. R. 10 10

Other Authority

Restatement (Third), Unfair Competition, Sec. 20, comment b 18

INTRODUCTION

Petitioner 1-800 Contacts, Inc. ("1-800") is an online retailer of contact lenses which actively exploits the Internet for its own commercial purposes. It markets contact lenses through its website, and it pays search engines and other online advertisers to "drive" web traffic to its site. Respondent WhenU.com ("WhenU") has developed a software that allows companies to advertise goods and services to computer users who appear to have an interest in their products. Once downloaded, the software scans the Internet activity of participating consumers, including the web addresses they enter into their computer browsers (*e.g.*, www.1800contacts.com), and uses that information to deliver advertisements about goods and services in which they appear to have an immediate interest. WhenU's software includes a directory which contains URLs, some of which (like www.1800contacts.com) embody marks. However, the directory resides on the hard drive of the computer and is not visible to the computer user. WhenU's advertisements do not bear any marks other than those of WhenU and its advertisers and are conspicuously branded as a "WhenU offer."

Based on these facts, the United States Court of Appeals for the Second Circuit concluded that WhenU does not "use" the 1-800 mark within the meaning of the trademark infringement provisions of the Lanham Act. The Second Circuit's ruling is in accordance with two prior district court rulings which rejected the identical claim against WhenU. *See U-Haul Int'l, Inc. v. WhenU.com, Inc.*, 279 F. Supp. 2d 723 (E.D. Va. 2003) and *Wells Fargo & Co. v. WhenU.com, Inc.*, 293 F. Supp. 2d 734 (E.D. Mich. 2003).

1-800 argues that the Second Circuit held that the "covert" use of a trademark can never be actionable, thus

departing from established Lanham Act law, and creating a conflict in the Circuits. But the Second Circuit did not draw a distinction between "overt" and "covert" marks, nor did it issue a broad ruling about the use of marks on the Internet. It examined *WhenU's* software, concluded that *WhenU's* software does not employ the plaintiff's mark in any source-identifying way, and held that 1-800 had failed to sustain its burden of showing that *WhenU* "used" its mark "in connection with the sale, offering for sale, distribution, or advertising of any goods or services." 15 U.S.C. § 1114(1)(a). The Second Circuit's opinion is limited to a particular form of online advertising and does not conflict with decisions of other Circuits, much less pose a threat to the enforcement of trademarks on the Internet.[1]

STATEMENT OF THE CASE

The Business of WhenU

WhenU delivers online contextual marketing to consumers via a proprietary software program called "SaveNow."[2] Contextual marketing endeavors to advertise

1 While the Second Circuit's decision is narrow in scope, the district court opinion is extremely broad and does pose a threat to the development of the Internet. Suppose, for example, that a software company were to develop a "perfect price comparator" using a program that recognizes the names of trademarked products. If the user were to access a website to buy a product, the "price comparator" would automatically open a new window on the user's screen that displays prices for all competing products. *See* Electronic Frontier Foundation, Why Gator? An Interview with Fred von Lohmann, http://www.eff.org/IP/gator (last visited October 21, 2005). Under the reasoning adopted by the district court, the price comparator's use of marks in its database, and its display of information about competing products while the original site is displayed on the user's screen, would constitute trademark infringement.

2. WhenU offers its software under two brand names: "Save" and "SaveNow." The two applications are identical in function and (Cont'd)

products and services to consumers who have a demonstrated interest in those products and services. Traditionally, contextual marketing has entailed the assembly of large databases containing a wide variety of personal information about consumers and their purchasing behavior. WhenU uses the Internet to deliver offers when they are most relevant *without* collecting personal information about the consumer. WhenU's software thus represents a significant advance in contextual marketing technology.[3]

WhenU's participating consumers receive advertisements and coupons, delivered to their computer screens (also known as "desktops").[4] These advertisements are selected by SaveNow based on an analysis of users' immediate interests, as reflected by their Internet browsing activity, and are displayed subject to timing and other limitations built into the software. Since launching its service, WhenU has delivered online marketing for more than 400 advertisers, including such well-known companies as Priceline, British Airways and Citibank.

How WhenU Software Is Distributed

WhenU works with third party software providers who "bundle" their software with SaveNow. These software

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(Cont'd)
differ only in their branding and method of distribution. Accordingly, references herein to SaveNow refer to both SaveNow and Save.

3. WhenU does not store, track or collect *any* personal information about its users. The SaveNow software monitors the activity in a user's browser, but the monitoring occurs on the user's own hard drive, and the data is not sent to WhenU.

4. Although the petition discusses only advertisements, the SaveNow software also delivers coupons to participating consumers, thus affording them savings at popular shopping sites.

companies rely on the revenue generated by advertising software, such as SaveNow, to offer their software for free and to provide service and support for their freeware programs.[5] Consumers typically download the SaveNow software in return for obtaining a free software application.[6]

When the free application is downloaded, the consumer receives a notice stating that SaveNow is part of the download, and explaining how SaveNow functions. To proceed with the installation of SaveNow, the consumer must affirmatively accept a license agreement. The license agreement clearly explains that the SaveNow software generates advertisements utilizing "pop-up" and other formats, and informs the user that "SaveNow ads/offers are delivered independently from the site the user happens to be visiting when they see a SaveNow ad/offer, and are not endorsed or affiliated with anyone other than WhenU.com." The software cannot be installed unless the consumer affirmatively accepts the terms of the license agreement.[7]

While 1-800 repeatedly implies that the decision below will encourage the proliferation of spyware, WhenU's software is not spyware. It is installed consensually, users

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5. Advertising is critical to sustaining and developing the Internet as a viable institution. In 2004, about $9.6 billion was spent on Internet advertising in the U.S. market. *See* Rick E. Bruner, The Decade in Online Advertising 1994-2004 4 (Apr. 2005), http://www.doubleclick.com/us/knowledge_central/documents/RESEARCH/dc_decaderinonline_0504.pdf.

6. In some cases, consumers are offered a choice between paying for a "premium" version of the desired application, or obtaining the desired application for free, but bundled with SaveNow.

7. Consumers can easily uninstall WhenU's software from their computers if they no longer wish to have it; each SaveNow advertisement is linked to instructions for removing the software.

are informed of the fact that the software will generate advertisements, including pop-up ads, *before* the license agreement is accepted, the software does not collect any personal information – indeed, it is highly protective of users' privacy – and the advertisements are clearly labeled as WhenU offers. Thus, WhenU software is not "spyware" according to any reasonable definition of the term.[8]

How WhenU Delivers Advertisements to Participating Consumers

The heart of SaveNow's system for delivering coupons and advertisements to participating consumers is its software directory, which includes over 40,000 web addresses, search phrases and keyword algorithms.[9] The directory sorts these elements into various product and service categories (such as eye-care) in much the same way as a local Yellow Pages indexes businesses.

As a participating consumer browses the Internet, the SaveNow software studies his browsing activity and compares it against elements in the directory to determine whether: (a) any of those elements are associated with a category in the directory, and (b) whether those categories are associated with particular advertisements. If the software

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8. For example, the Federal Trade Commission defines "spyware" as "software that aids in gathering information about a person or organization without their knowledge and that may send such information to another entity without the consumer's consent, or that asserts control over a computer without the consumer's knowledge." FEDERAL TRADE COMMISSION, MONITORING SOFTWARE ON YOUR PC: SPYWARE, ADWARE, AND OTHER SOFTWARE 4 (2005), *available at* http://www.ftc.gov/os/2005/03/050307spywarerpt.pdf.

9. Keyword algorithms are combinations of words (*e.g.*, five occurrences of the word "contact" and two occurrences of the word "lens").